

15 February 2024



Davex Australia Pty Ltd
(Administrators Appointed) ACN
052 491 657 (“the Company”)
Trading as Davis Lighting

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

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1. About this report: a guide for creditors

1.1. Purpose of this report

- We are required to prepare this report under the Corporations Act 2001 and provide creditors with information about the Company's business, property, affairs and financial circumstances.
- This report contains the information we are required by law to include, plus other information considered materially relevant to creditors to enable them to make an informed decision about the Company's future.
- This report and its attachments contain details about the forthcoming second meeting of creditors to be held on 23 February 2024 and our opinion and recommendation about the future of the Company and what is considered to be in the creditors' interests. Creditors are required to decide whether:
 - the Company should execute a deed of company arrangement, or
 - the administration of the Company should end, or
 - the Company should be wound up.
- Alternatively, creditors can vote to adjourn the meeting for up to 45 business days to allow more time to make their decision.
- All details, forms and instructions relating to the meeting have been included with the covering letter and other documents attached to this report.

1.2. Key messages and recommendations

- David McGrath, Benjamin Campbell and Kelly-Anne Trenfield were appointed as Voluntary Administrators of the Company on 18 January 2024.
- Following our appointment, we continued to trade the business and commenced a transaction process seeking offers for a sale or recapitalisation of the business. Five (5) NBIOs were received on 2 February 2024.
- We executed a binding ASA with the Purchaser on 14 February 2024. We anticipate the ASA will complete within one (1) to two (2) weeks from the date of this Report.
- The ASA provides for the sale of the Company's inventory and plant and equipment assets to the Purchaser, together with the transfer of all employees. The key asset retained by the Company is its receivables book, which is expected to be collected from customers in line with existing payment terms.
- As part of the ASA, the Company's parent company, Davex Malaysia Sdn Bhd and its related entity Davex Engineering Sdn Bhd (who was one of the Company's key suppliers) (collectively, **Davex Malaysia**) has entered into a licence agreement pursuant to which the Purchaser is entitled to use the Davis Lighting brand for a period of five (5) years in exchange for a royalty paid on inventory purchased and sold into the Australian and New Zealand market.
- The key benefits of entering into the ASA were:
 - Securing a higher recovery for the Company's inventory assets than was likely to be achieved if the business was shut down and the inventory liquidated; and

- Facilitating the transfer of employees, together with their entitlements, to the Purchaser, which materially reduced priority employee entitlement claims that otherwise would have ranked ahead of recoveries available to Secured Creditors and unsecured creditors.
- We will not be in a position to advise of the likelihood of a dividend to unsecured creditors until the ASA completes and further recoveries have been made from the receivables book.
- In terms of the options available to creditors at the Second Meeting, the Administrators have formed the view that it is in the best interests of creditors that the Company be wound up and a liquidator appointed. Reasons for this include that a DOCA has not been proposed, and the Company remains insolvent and should therefore not return to the control of its Director. As set out in greater detail below, creditors may have other avenues available to them if the Company goes into liquidation, such as potential ancillary recoveries.
- In terms of potential recoveries available to a liquidator:
 - Our preliminary investigations indicate that the Company may have become insolvent just prior to our appointment, or possibly from early November 2023;
 - Even if it was possible to prove that the Company was insolvent prior to our appointment, the quantum of any insolvent trading claim is likely to be small and not economical to pursue, given the costs of pursuing such a claim (legal fees, litigation fees) and the likelihood that the Director will have defences to such a claim will outweigh the benefits of any return; and
 - We have not identified any other potential voidable transactions, including preference payments.
- We have identified potential further claims which relate to the Statement of Support provided by Davex Malaysia to the Company in connection with the Company's CY22 audited accounts. That Statement of Support, which was effective for 12 months from the date the audited accounts were signed on 27 July 2023, included a commitment that Davex Malaysia would not call for repayment of any amounts owing where it would impede the Company's ability to meet its obligations. Notwithstanding this commitment, payments were made by the Company to Davex Malaysia during this period. Further investigations and legal advice would be required to determine whether these payments could give rise to potential recovery actions available to the Company.
- If the Company is placed into liquidation, any employees who do not elect to transfer to the Purchaser (and those who have already resigned), will have access to the **FEG** in respect of their outstanding entitlements, subject to eligibility criteria.
- **In our opinion it is in the creditors' best interests for the Company to be wound up.**
- **Section 2** of this report summarises the key items considered to be the most important for creditors.
- **Section 3** provides the Administrators' recommendation to creditors on the future of the Company.

1.3. Second meeting of creditors

- The Administrators are required under law to convene a second meeting of creditors, at which time creditors will vote on the future of the Company.
- As mentioned above, the second meeting of creditors for the Company will be held on **Friday, 23 February 2024 at 10:00AM (AEST)** using virtual meeting facilities. The following documents relating to the meeting are contained at **Appendix 6**:
 - Notice of Second Meeting of Creditors of the Company;

- Form – Appointment of Proxy; and
 - Formal Proof of Debt or Claim Form.
- Should you wish to attend the second meeting of creditors, please complete and return the relevant forms outlined below, to our office by no later than **2:00PM (AEST), Thursday, 22 February 2024.**
 - Meeting forms are also available to download from the FTI Consulting Creditor Portal:
<https://www.fticonsulting.com/creditors/davex-australia-pty-ltd>

1.4. How to participate in the meeting

In order to attend the meeting, you must complete and return the below forms via email to Davex@fticonsulting.com by no later than **2:00PM (AEST), Thursday, 22 February 2024.**

1. Meeting Registration Form

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

Link to meeting registration form: <https://forms.office.com/r/t1rn9n5KPA>

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

2. Proxy Form

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

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

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

3. Proof of Debt Form

You must complete this form in order to vote at the meeting.

This form is required to register your claim against the Company for voting purposes only (if not submitted already).

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

1.5. Questions and help

- Please contact this office on (07) 3225 4900 or by email at Davex@fticonsulting.com if you are unsure about any of the matters raised in this report or the impact that any decision about the Company's future may have on you.
- Our postal address is:
Davex Australia Pty Ltd (Administrators Appointed)
c/- FTI Consulting
GPO Box 3127
BRISBANE QLD 4001

2. Key messages

2.1. Overview of administration strategy

Administrators' Strategy and Major Actions

Strategy & Trading	Continued to trade the business to maximise recoveries from receivables and inventory and allow for a potential going concern sale / recapitalisation to be pursued.	Engaged with key stakeholders including Management, Davex Malaysia (in respect of inventory on the water at appointment and its ownership of the Davis Lighting brand), and various customers and suppliers.	Secured assets and engaged a third party (Slattery Asset Advisory) to conduct a valuation of all stock and plant and equipment held by the Company.	Commenced and undertook the transaction process, seeking offers for a sale of the assets or recapitalisation of the business, including approaching relevant industry players and advertising in the Australian Financial Review.	Established a dataroom, prepared a confidentiality agreement, process letter and transaction documentation. Responded to extensive information requests, and facilitated and attended site visits and management meetings. Negotiated with numerous interested parties. This process resulted in the execution of the ASA with the Purchaser.
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Administrators' Strategy and Major Actions

Statutory matters & Investigations	Attended to all required statutory obligations and requirements.	Conducted property, company, PPSR, motor vehicle and other searches.	Undertook investigations into the performance and position of the Company leading up to our appointment.	Secured and reviewed the Company's books and records and performed financial analysis to identify areas of focus in respect of recoveries realisable in a liquidation scenario.	Formed preliminary opinion on existence of voidable transactions and other claims or breaches of the Act.
Stakeholders	Circular and correspondence to creditors, suppliers, advisors and employees.	Prepared for and facilitated the first meeting of creditors.	Calculated employee entitlements and liaised with employees and former employees regarding entitlements and continued trading.	Reviewed the Director's ROCAP to understand the reasons for the Company's failure.	Preparation of this report pursuant to Section 75-225 of the Insolvency Practice Rules (Corporations) 2016.

2.2. Key messages for creditors

Set out below is a summary of the key messages and recommendations that are detailed in this report. Please read this summary in conjunction with the remainder of the report including the glossary and terms of reference contained in **Appendix 1** and any other attachments.

Key areas	Commentary	Analysis
Explanations for the Company's difficulties	Our investigations indicate: ■ The Company had been trading at a loss for a number of years, which necessitated ongoing support from its parent, Davex Malaysia. ■ Notwithstanding the recruitment of a new general manager in 2019 and the subsequent implementation of a cost reduction / rationalisation program, the business was yet to achieve profitability. ■ In addition to support provided by Davex Malaysia, the Company had access to a business finance agreement provided by Westpac, which included trade finance facilities and a business overdraft. ■ In November 2023 Westpac indicated it required Davex Malaysia to provide a SBLC in order to continue providing the facility. Davex Malaysia did not provide the SBLC by the required date (30 November 2023) and accordingly Westpac cancelled the facility, which necessitated the Company having to repay c.\$1.6m to Westpac over the course of Q4 2023 and Q1 2024. ■ Ultimately, Davex Malaysia determined it would not provide further funding support to the Company to make up for the liquidity lost as a result of the unavailability of the business finance agreement . Accordingly, in our view, the Company's failure is attributable to its inability to trade profitably on a standalone basis and its inability to find alternative sources of funding when support from Westpac and Davex Malaysia was withdrawn.	Section 4
Administrators' actions and strategy	Our strategy for the administration has been to continue to trade the business on the basis that recoveries from the Company's key assets (inventory and receivables) would be maximised both through realising these assets whilst the Company was still operating and/or executing a sale of the business on a going concern basis. In parallel we commenced a process seeking offers for a sale or recapitalisation of the business. Ultimately this process resulted in the execution of the ASA with the Purchaser.	Section 5.1
Estimated date of insolvency	Our preliminary view is the Company may have been insolvent just prior to the appointment of Administrators, and potentially from early November 2023.	Section 6 Appendix 3

Key areas	Commentary	Analysis												
Voidable transactions	Based on our investigations to date, we do not consider there are any voidable transactions that would likely result in property being recovered for the benefit of creditors.	Section 6.3 Appendix 3												
Offences by directors	Based on our investigations to date, it is possible the directors may have traded the business whilst insolvent, in violation of section 588G of the Act. Further work would be required by a liquidator to confirm this position.	Section 6.3												
Liability for insolvent trading	Based on the estimated date of insolvency, the potential claim for insolvent trading could only be up to approximately \$500,000, being the approximate total of outstanding third party creditors at the date of our appointment. However, even if it could be proven that the Company was insolvent prior to the appointment of Administrators, any insolvent trading claim would likely be materially less than this amount. We note a claim of this quantum is likely to be uneconomic to pursue. We also note the directors may have a valid defence against any such claim, having taken safe harbour advice in November 2023. At this time, it is unclear as to the capacity of the directors to meet a successful insolvent trading claim.	Section 6.2.3 Appendix 3												
Other recoveries	We have identified potential further claims which relate to the Statement of Support provided by Davex Malaysia to the Company in connection with the Company's CY22 audited accounts. We note that further analysis and legal advice would be required to determine whether payments made by the Company to Davex Malaysia during 2023 may give rise to recovery actions in favour of the Company.	Section 6 Appendix 3												
Proposal for a deed of company arrangement	No DOCA proposal has been received.	N/A												
Estimated outcome for creditors	The estimates shown are based on the information presently available, our view of the Company's estimated realisable value of assets and estimated claims of creditors. Note, we have shown two ranges of recoveries in a liquidation: (i) assuming the ASA completes and (ii) assuming the ASA does not complete, and we are required to realise the assets on a piecemeal basis. <table> <tr> <th></th><th><u>Liquidation – Asset Sale</u></th><th><u>Liquidation – no Asset Sale</u></th></tr> <tr> <td>■ Secured creditors</td><td>29 to 100 cents in the dollar</td><td>0 cents in the dollar</td></tr> <tr> <td>■ Priority employee claims</td><td>100 cents in the dollar</td><td>0 to 74 cents in the dollar</td></tr> <tr> <td>■ Unsecured creditors</td><td>0 to 11 cents in the dollar</td><td>0 cents in the dollar</td></tr> </table> The key factors and variables impacting the estimated return to creditors include:		<u>Liquidation – Asset Sale</u>	<u>Liquidation – no Asset Sale</u>	■ Secured creditors	29 to 100 cents in the dollar	0 cents in the dollar	■ Priority employee claims	100 cents in the dollar	0 to 74 cents in the dollar	■ Unsecured creditors	0 to 11 cents in the dollar	0 cents in the dollar	Section 7.1
	<u>Liquidation – Asset Sale</u>	<u>Liquidation – no Asset Sale</u>												
■ Secured creditors	29 to 100 cents in the dollar	0 cents in the dollar												
■ Priority employee claims	100 cents in the dollar	0 to 74 cents in the dollar												
■ Unsecured creditors	0 to 11 cents in the dollar	0 cents in the dollar												

Key areas	Commentary	Analysis								
	■ As above, whether the ASA completes or, alternatively the Company’s assets are required to be realised on a piecemeal basis; ■ The level of recovery from the receivables book; and ■ The costs involved in realising assets and completing the wind up of the Company’s affairs.									
Timing of payments to creditors	The indicative (estimated) timing of dividends are set out below for each class of creditor under a DOCA and liquidation scenario: <table><tr><td></td><td><u>Liquidation</u></td></tr><tr><td>■ Secured creditors</td><td>6 to 12 months</td></tr><tr><td>■ Priority employee claims</td><td>6 to 12 months</td></tr><tr><td>■ Unsecured creditors</td><td>6 to 12 months</td></tr></table> The key factors impacting the estimated timing are primarily: ■ Whether the ASA completes, or alternatively if we are required to realise the Company’s assets on a piecemeal basis; and ■ The time required to collect out the receivables book.		<u>Liquidation</u>	■ Secured creditors	6 to 12 months	■ Priority employee claims	6 to 12 months	■ Unsecured creditors	6 to 12 months	Section 7.5
	<u>Liquidation</u>									
■ Secured creditors	6 to 12 months									
■ Priority employee claims	6 to 12 months									
■ Unsecured creditors	6 to 12 months									
Remuneration	Under Div 60-10 of the Insolvency Practice Schedule, the remuneration of the external administrator can be fixed by resolution of the creditors at the second meeting of creditors. We are seeking approval for our remuneration (excluding GST) at the second meeting of creditors as summarised below. <table><tr><th>Period</th><th>Amount (\$) (excluding GST)</th></tr><tr><td>Voluntary Administration Resolution 1: 18 January 2024 to 9 February 2024</td><td>379,685</td></tr><tr><td>Voluntary Administration Resolution 2: 10 February 2024 to the date of the conclusion of the Administration</td><td>170,315</td></tr><tr><td>Liquidation Resolution 3: Commencement to the finalisation of the Liquidation</td><td>250,000</td></tr></table> Please refer to our Remuneration Report at Appendix 5 for full details on key activities undertaken by us and the remuneration approval sought.	Period	Amount (\$) (excluding GST)	Voluntary Administration Resolution 1: 18 January 2024 to 9 February 2024	379,685	Voluntary Administration Resolution 2: 10 February 2024 to the date of the conclusion of the Administration	170,315	Liquidation Resolution 3: Commencement to the finalisation of the Liquidation	250,000	Appendix 5
Period	Amount (\$) (excluding GST)									
Voluntary Administration Resolution 1: 18 January 2024 to 9 February 2024	379,685									
Voluntary Administration Resolution 2: 10 February 2024 to the date of the conclusion of the Administration	170,315									
Liquidation Resolution 3: Commencement to the finalisation of the Liquidation	250,000									

3. Recommendation on the Company's future

In our opinion it is in the creditors' interests that the Company be wound up and a liquidator appointed. Details about the estimated return to creditors and other information about what creditors can decide at the meeting are provided at sections 7 and 8 of this report.

Options available to creditors	Option 1: Execute a DOCA	Option 2: Administration end	Option 3: Liquidation
Description	Whether it would be in the creditors' interests for the Company to execute a DOCA	Whether it would be in the creditors' interests for the administration to end	Whether it would be in the creditors' interests for the Company to be wound up
Key factors to considers	As no DOCA has been proposed, creditors cannot resolve to accept a DOCA at this time	The Company is insolvent with no cash to pay all due debts and no confirmed prospects of obtaining external funding	We have not been provided with a proposal for a DOCA for consideration and it is not appropriate that the administration ends as the Company is insolvent
Our opinion	Not in the creditors' interests that the Company execute a DOCA	Not in the creditors' interests that the administration should end	Is in the creditors' interests that the Company be wound up
Recommended option	Not recommended	Not recommended	Recommended
Potential to adjourn the meeting to a future date	It is a matter for creditors to decide if they wish to adjourn the meeting for a maximum period of 45 business days.		

4. Background information

4.1. Appointment of Administrators

- On 18 January 2024, Benjamin Campbell, Kelly-Anne Trenfield and I, David McGrath were appointed joint and several Administrators of Davex Australia Pty Ltd in accordance with a resolution passed at a meeting of the Company's Director pursuant to section 436A of the Act.
- In a voluntary administration, the Administrators take control of a company and its affairs, superseding the powers of the directors and officers to make decisions and perform management functions.
- We also have a duty to investigate the Company's business, property, affairs and financial circumstances.

4.2. Outcome of the first meeting of creditors

- The first meeting of creditors was held on 31 January 2024 to consider the formation of a committee of inspection and whether or not to appoint different persons to be the Administrators of the Company.
- No committee was formed and there were no nominations to replace us as Administrators.

4.3. Administrator's prior involvement and independence

- In accordance with section 436DA of the Act, we provided a DIRRI with our first communication to creditors. This DIRRI included the circumstances that led to our appointment as Administrators.
- A copy of our DIRRI was provided in our initial circular to creditors.
- There is no change to our assessment regarding our independence or to the information provided in the DIRRI.

4.4. Company information and historical performance

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

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

- The Company was incorporated in 1991. It is a 100% owned subsidiary of Davex Malaysia.
- In December 2017, Davex Malaysia was acquired by Ekuinas, a Malaysian private equity firm. Khim Hui Heng, a representative of Ekuinas, was appointed as a director of the Company immediately following the acquisition. Mr. Heng was the sole director at the date of our appointment.

- Kylie Anne Dyson was appointed as a director on 30 May 2023. We understand Ms. Dyson was an employee of Director Corporate Services Pty Ltd, a business that provides Australian resident directors to allow offshore corporates to comply with the relevant provisions of the Act. Ms Dyson resigned shortly prior to our appointment.
- In August 2023, Westpac renewed the Company's BFA, which had originally been put in place in 2014. The BFA included the following facilities:
 - Bank guarantee in respect of the Brisbane premises: \$48,855.13
 - Business Overdraft with a facility limit of \$600,000
 - Trade Finance facilities with a limit of \$1,900,000.
- The Business Overdraft was provided on an "at call" basis and the Trade Finance facilities were uncommitted. This essentially meant Westpac could:
 - Require the Company to repay any amount drawn under the Business Overdraft at any time; and
 - Decline the Company's request to finance any purchases under the Trade Finance facilities.
- We understand from a review of Company records and from discussions with the Director, representatives of Ekuinas and Davex Malaysia, and the Company's General Manager:
 - The Company had generally been performing poorly prior to Ekuinas' acquisition of Davex Malaysia.
 - The General Manager was recruited in 2019 with a mandate to improve the profitability of the Company and put it on a long-term sustainable footing.
 - This strategy was somewhat impacted by the COVID-19 pandemic. Following the pandemic, the Company resumed implementation of a turnaround plan throughout 2022 and 2023.
 - Davex Malaysia had historically been the Company's key supplier. Over the course of the turnaround plan, the Company had begun to diversify its supplier base. By the date of our appointment, purchases from Davex Malaysia amounted to approximately 25% of product sourced by the Company.
 - Davex Malaysia was supporting the Company by allowing it to accumulate a balance of trade payables in respect of inventory purchases, enabling the Company to manage its obligations to third party creditors and suppliers.
 - Notwithstanding the turnaround plan, the Company remained unprofitable throughout 2023.
 - In or around September/October 2023, Westpac indicated to the Company and Davex Malaysia it would require Davex Malaysia to provide further credit enhancement by way of a SBLC in order to continue to make finance available under the BFA.
 - On 7 November 2023, Davex Malaysia requested that Westpac allow the Company to continue to utilise the BFA facilities until 30 November 2023 to enable it to make a decision in respect of the provision of the SBLC. Davex Malaysia also advised Westpac it had engaged PwC to assess the business of the Company and to provide advice on the following matters:
 - Whether Davex Malaysia should provide the SBLC or, alternatively to pay down/accept withdrawal of the BFA facilities;
 - Cash flow forecasting and cash requirements of the Company; and
 - Potential M&A or restructuring options.

- In its reply on 7 November 2023, Westpac advised the following:
 - No funding would be provided under the Trade Finance facilities from 15 November 2023 until the SBLC was in place;
 - Davex Malaysia would have until 30 November 2023 to provide the SBLC. If it was not provided by that date then the Business Overdraft would be cancelled; and
 - Individual loans under the Trade Finance facilities would need to be repaid as they fell due.
- As a result of the above, the Company undertook further cost cutting measures (including headcount reductions and premises rationalisation) with the objective of generating sufficient cash to repay the remaining drawings under the Trade Finance facilities, which fell due at various dates through to March 2024. We understand the Director and Former Director also engaged a safe harbour adviser in November 2023.
- On 4 December 2023, Westpac advised that since the SBLC had not been provided, it was cancelling the Business Overdraft limit. Westpac further advised the account was in credit and the Business Overdraft had not been utilised for some time.
- From in or around October / November 2023 through to early January 2024, Davex Malaysia engaged with the management of Davex Australia to negotiate a potential MBO transaction in respect of Davex Australia.
- Ultimately by mid-January 2024 it was apparent that mutually acceptable terms for the MBO could not be agreed and Davex Malaysia was unwilling to provide further funding to allow the Company to meet repayment of its outstanding debts to Westpac.
- Accordingly, the Director appointed Voluntary Administrators on 18 January 2024.

4.6. Director's explanation for the Company's difficulties

- In accordance with section 239AF of the Act, we have requested the director prepare a statement about the company's business, property affairs, and financial circumstances.
- The Director attributed the current circumstances faced by the Company to Davex Malaysia no longer providing ongoing financial support.
- In addition to the Director's stated reasons for the Company's current financial position, we believe the following matters are also relevant to its failure:
 - The inability of the Company to trade profitably on a standalone basis;
 - Inability to secure credit support from or further funding from Davex Malaysia;
 - Withdrawal of the Westpac BFA following the decision by Davex Malaysia not to provide further credit enhancement; and
 - Inability to repay significant intercompany debts owed to Davex Malaysia which had accrued over the medium term.

4.7. Opinion about books and records

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

- In considering compliance with this section, since our appointment we have:
 - reviewed various financial reports to help us understand the Company's asset and liability positions;
 - reviewed various correspondence files and documents relevant to the Company's financial position and performance of the Company;
 - undertaken investigations and reviews incorporating financial records and data; and
 - discussed with the Company's finance function, processes and record keeping practices with its Director and management.
- In our view, as at the date of our appointment the financial records of the Company appear to have been maintained in accordance with section 286 of the Act.

4.8. Outstanding winding up applications

- Based on searches performed at the time of our appointment, no winding up applications appear to have been lodged with a Court against the Company.

5. Strategy and financial position

5.1. Actions and strategy to date

5.1.1. Summary of actions and strategy

- Since our appointment we have maintained and stabilised business operations while reviewing the available options for the Company.
- Our key strategies and actions undertaken throughout the Administration period are outlined below.

5.1.2. Trading and customers

- Prepared a cash flow forecast and closely monitored cash flows during the Administration period.
- Liaised with critical suppliers to agree terms of trade for ongoing operations.
- Notified all suppliers and applicable statutory bodies of our appointment.
- Opened new accounts with the Company's suppliers as required for ongoing trade during the Voluntary Administration.
- Establish trading protocols and a purchase order system with the Company's accounts team.
- Communicated with the Company's suppliers concerning inventory levels, supply, and order placement.
- Communicated considerably with the Company's key customers to advise of our appointment, outline the general purpose of a Voluntary Administration and to discuss the Company's ongoing trading.
- Managed large volume of goods returns and subsequent credit return requests, warranty claims and rebate queries.
- Corresponded extensively in with freight forwarders, staff and Davex Malaysia concerning the arrival of several shipments of inventory ordered prior to our appointment.

5.1.3. Debtors

- Worked with the Company's internal finance team to oversee invoicing to customers.
- Worked with the Company's internal finance team to discuss status of debtors, invoicing and forecast collections and timing.
- Monitoring of ongoing collections from debtors and provision of reporting to the Company's internal finance team.
- Issued correspondence to debtors concerning Administration bank account details for future payments and provided verbal confirmation and other documentation in support of same.

5.1.4. Inventory

- Reviewed the Company's inventory position on appointment.
- Commissioned an inventory valuation from a specialist asset advisory firm.
- Considered various options for realising the Company's inventory.

- Dealt with incoming inventory shipments.

5.1.5. Employees

- Attended the Queensland and New South Wales Company premises upon appointment to address staff and confirm our appointment.
- Provided formal communications to all employees regarding their position as creditors of the Company and their ongoing employment.
- Liaised directly with employees regarding specific issues and queries.
- Obtained and reviewed Company records to quantify employee entitlements and notified employees of the same.

5.1.6. Premises and Landlords

- Notified the Company's three (3) landlords of our appointment and discussed ongoing occupation of relevant premises during the Voluntary Administration.
- Assessed the position of the bank guarantee provided by the Company to the Queensland landlord and the potential make good obligations or other claims against the bank guarantee.
- Conducted negotiations with Queensland and New South Wales landlords regarding the ongoing occupation of the premises, make good obligations and other property related issues.
- Exited the core Victoria premise at Suite 30, 68 Victor Crescent, Narre Warren VIC 3805 and liaised with the former landlord of this premises for the return of the security bond held.

5.1.7. Statutory

- Notified applicable statutory and government bodies of our appointment.
- Prepared and issued our Initial Information for Creditors and Suppliers, which included our DIRRI.
- Held the first meeting of creditors on Wednesday, 31 January 2024.
- Prepared and lodged the required ASIC forms.
- Prepared and published advertisements on the ASIC published notices website.
- Prepared this report pursuant to section 75-225 of the Insolvency Practice Rules (Corporations) 2016.

5.1.8. Investigations

- Conducted and reviewed searches in relation to the Company's officers.
- Obtained relevant books and records of the Company and access to information systems.
- Reviewed and analysed the Company's financial books and records.
- Undertaken an insolvency analysis using financial and other records to form a preliminary view on likely date of insolvency.
- Reviewed all available books and records and other information concerning the Company to form a preliminary view on any potential breaches of the Act or potential voidable transactions where money or property may be recoverable for the benefit of creditors in a liquidation scenario.

5.2. Sale of business

5.2.1. Marketing and sale process

- We conducted an urgent campaign for the sale and or recapitalisation of the Company in the limited timeframe available. As part of this process we:
 - Developed a strategy and timeline for the sale process, which originally contemplated NBIOs being due by 2 February 2024.
 - Compiled a list of likely interested parties based on our own understanding of the industry and the market more generally and discussions with management.
 - Advertised the business for sale in the Australian Financial Review.
 - Prepared a range of sale materials including an investment flyer, process letter, confidentiality agreement, virtual data room and a draft asset sale agreement.
 - Engaged with more than 15 interested parties, including facilitating their due diligence activities where appropriate.
 - Reviewed and assessed five (5) NBIOs received on 2 February 2024 and undertook a comparative analysis of the offers relative to each other and a liquidation scenario.
 - Continued to engaged with the parties who submitted NBIOs in order to provide due diligence material and answer questions to allow those parties to submit final offers by 9 February 2024.
 - Held discussions with Davex Malaysia to determine the right to use the Davex brand and trademark on an ongoing basis.
- At the NBIO stage, the Purchaser's proposal was significantly more advanced than the other NBIOs, required a lower level of further due diligence, and carried materially lower execution risk.
- Whilst one(1) of the two(2) other final offers presented on 9 February 2024 reflected a transaction that would be executed by way of a DOCA, that proposal was:
 - Not substantially developed and not capable of acceptance by the Administrators in the form presented.
 - Highly conditional.
 - Subject to further due diligence.
 - Subject to finance.
- For the reasons outlined above, the DOCA proposal was not advanced by the Administrators.

5.2.2. Sale outcomes

- The sale process culminated in the execution of the ASA. Pursuant to the terms of the ASA, the Purchaser will:
 - Acquire substantially all of the Company's assets, excluding the receivables;
 - Provide ongoing employment for all of the Company's employees at the time of completion, on terms no worse than their current employment arrangements; and
 - Collect the Company's receivables book on a no-cost basis and remit the proceeds to the Administrators.

- The consideration for the sale is based on an agreed percentage of the cost price of the Company's inventory, which is dependent upon the ageing of that inventory. The final sale consideration will be set with reference to a stocktake to be undertaken prior to Completion of the transaction, which we expect will occur in the next two(2) weeks. Based on presently available information we estimate the consideration will be in the range of \$1m to \$1.2m
- Completion of the ASA is subject to the agreement of a brand licence arrangement between Davex Malaysia and the Purchaser, as well as a limited number of conditions which are customary for the sale of assets by an insolvent company.
- We anticipate Completion will occur within (2) weeks from the date of this report.

5.3. Company's financial position at appointment

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

- Immediately after appointment, we requested the Director of the Company provide a statement about the Company's business, property, affairs and financial circumstances in the form of a ROCAP (Form 507).
- We received a ROCAP Part A completed by the Company's Director on 25 January 2024, and ROCAP Part B on 1 February 2024.
- Part A of the ROCAP is lodged with ASIC and is publicly available for review, whereas Part B of the ROCAP is a confidential document for the use of the Administrators in performing their duties.

5.3.2. Summary of the ROCAP Part A and Administrators' ERV as at 8 February 2024

Report on Company Activities and Property - Part A				
\$'000s	Notes	Director's ROCAP ERV	Administrators' High ERV	Administrators' Low ERV
Assets				
Cash at Bank	1	102	449	400
Receivables	2	2,395	1,500	500
Inventory	3	2,223	Commercially Sensitive	270
Property, Plant and Equipment	4	0	Commercially Sensitive	37
Other Assets	5	0	62	0
Intangible Assets	6	0	Commercially Sensitive	0
Total Assets		4,720	Commercially Sensitive	1,207
Liabilities				
Secured Creditors	7	(1,044)	(1,225)	(1,177)
Priority Creditors	8			
Wages & Superannuation		(18)	(18)	(0)
Leave entitlements		(111)	(111)	0
Redundancy and PILN		(398)	(398)	(398)
Unsecured Creditors	9			0
Trade Creditors		(550)	(1,590)	(1,590)
Related Party Creditors		(2,904)	(4,931)	(4,931)
Statutory Creditors		(240)	(240)	(240)
Surplus / Deficiency		(545)	Commercially Sensitive	(7,128)

- We have provided a High and Low ERV, which is based on the following:
 - High ERV: reflects the terms of the executed, but as not yet completed, ASA. Accordingly we have withheld the values for certain assets in this scenario until such time as the transaction has completed.
 - Low ERV: reflects a situation where the business cannot be sold as a going concern and the assets are realised on a piecemeal basis.

Notes:

1. Cash at Bank

- The Director's ROCAP provided the balance of the Company's main trading account as at 22 January 2024.
- Upon appointment the Administrators issued correspondence to all major banking institutions notifying them of our appointment and to confirm all bank accounts held by the Company.
- The Administrators' ERV includes the balance of cash held in trust by the Company's solicitors as at the date of our appointment.

2. Receivables

- The Director has provided a trial balance as at 22 January 2024.
- The Administrators' ERV reflects a reduction to account for rebates the customers may be contractually entitled to set off against pre-appointment debtors and a general discount to reflect an element of challenged collectability under certain scenarios.

3. Inventory

- The Director's ROCAP was based on a stock listing as at 23 January 2024 totalling c.\$2.2m.
- The Administrators' high ERV has been withheld on the basis it reflects the terms of the executed, but as not yet completed, ASA. The low ERV is based on an independent valuation.

4. Property Plant and Equipment

- The Administrators' high ERV has been withheld on the basis it reflects the terms of the executed, but as not yet completed, ASA.
- The low ERV is based on an independent valuation of the Company's PPE.

5. Other Assets

- The Administrators' high ERV assumes that the deposits in relation to two (2) of the Company's premises are returned.

6. Intangible Assets

- The Administrators' high ERV has been withheld on the basis it reflects the terms of the executed, but as not yet completed, ASA.
- The low ERV assumes no value is attributed to the Company's brand given the assets will not be realised on a -going concern basis.

7. Secured Creditor

- Westpac currently holds an All PAAP security registration over all of the Company's assets in relation to the Company's BFA.
- The details of Westpac's All PAAP security are included at Section 10.2 of this report.

8. Priority Creditors

- Included at Section 9.3 of this report is a breakdown of employee entitlements.

9. Unsecured Creditors:

Trade Creditors: The Director's ROCAP figure includes only third party trade creditors. The Administrators' ERV includes estimates for customer rebates as well as liabilities related to the termination of the Company's leases.

Related Party Creditors: The Director's ROCAP only included trade payables due to Davex Malaysia. The Administrators ERV also includes c.\$2m in intercompany loan liabilities owed to Davex Malaysia.

Statutory Creditors: The Director's ROCAP includes the Company's Business Activity statements for the past two (2) quarters totalling c.\$239k owing to the ATO.

5.3.3. Related party creditors and claims

- In addition to information contained in the ROCAP Parts A and B, we reviewed the Company's records (trade creditor listings, financials statements and other available documentation and correspondence) and spoke with Company employees to determine the existence and amount of related party claims.
- The following related party claims have been identified:
 - The Director's ROCAP includes a related party trade creditor, Davex Malaysia, with a balance of c.\$2.9m as per the Company's books and records. We understand this balance relates to supply of goods and shared service charges.
 - We have also identified further intercompany loans payable to Davex Malaysia of c.\$2m.
 - At the time of finalising this report, Davex Malaysia has not submitted a POD in the Administration.

Related Party Creditor Summary	
000's	
Intercompany trade payables (per ROCAP)	
DAVEX ENGINEERING (M) SDN BHD	(817,870)
DAVEX ENGINEERING (M) SDN BHD	(2,085,810)
Total intercompany trade payables	(2,903,680)
Intercompany Loan Balance (as at 31 December 2023)	
INTERCOMPANY – DE	(1,003,209)
INTERCOMPANY – DS	(866,196)
INTERCOMPANY – DL	(157,911)
Total intercompany trade payables	(2,027,317)
Total	(4,930,997)

6. Investigations, offences and voidable transactions

6.1. Overview – voidable transactions and insolvency

6.1.1. Duty to investigate

- The law requires us to investigate and specify whether there appear to be any voidable transactions in respect of which money, property or other benefits may be recoverable by a liquidator under Part 5.7B of the Act.
- We have sought to ascertain whether the Company was insolvent at any particular point in time prior to our appointment as Administrators, in order to determine a point in time from which these provisions may apply.

6.1.2. Relevance of insolvency and liquidation

- The ability to challenge voidable transactions and recover money/property for creditors is contingent on two (2) elements:
 - The Company being placed into liquidation; and
 - A liquidator being able to establish the Company was insolvent at the time it entered into any particular transaction, or that the Company became insolvent as a consequence of that transaction.

6.1.3. Work performed

- We have made enquiries into the financial affairs of the Company. In this section, we set out our preliminary views and findings about:
 - Offences that may have been committed.
 - The solvency position of the Company.
 - Existence of voidable transactions – including unfair preferences/loans, uncommercial transactions, arrangements to avoid employee entitlements, and unreasonable director related transactions.
 - Charges that may be voidable.
 - Whether there is the prospect of a claim for insolvent trading.
 - Safe harbour protection from personal liability for insolvent trading liabilities which may be available to the Director.
- Please note the investigations we have undertaken are only indicative of the actions that may be possible in the event of liquidation.

6.1.4. Date of insolvency

- Our key workings and other analysis are contained in **Appendix 3**.
- In the appendix we have also included some general comments and information about recoveries via voidable transactions, insolvent trading and common factors that indicate insolvency.

- The summary of our findings and views on the Company's solvency position are on the following pages.

6.1.5. Creditors' information sheet and other explanations

- Provided at **Appendix 4** is an information sheet to assist creditors in understanding potential offences under the Act, recoverable transactions and insolvent trading.
- Creditors should read this information in conjunction with our comments in this section of the report.

6.1.6. Relevance of liquidation versus DOCA

- Voidable transactions and other actions that a liquidator can take are not available if the Company executes a DOCA.
- As a result, creditors have to assess the advantages to them of a DOCA (and any benefits that may be available to them in this scenario), compared to the likely return in a liquidation (and any recoveries that may be available where a liquidator is appointed).
- To help creditors, where a DOCA is proposed, the Estimated Return to Creditors section of this report will include a comparison between liquidation and any DOCA, highlighting the differences in estimated recoveries and outcomes. There may also be timing differences and these too are discussed as applicable.
- As no DOCA has been proposed, we have not provided a comparison between the outcome in a liquidation as compare with a DOCA.

6.2. Insolvency and liability for insolvent trading

6.2.1. Summary of findings

- We summarise the key findings from our investigations into the Company's solvency position as follows:
 - Whilst the Company had been loss making for several years and its CY22 audited financial statements included a note stating there was material uncertainty as to its ability to continue as a going concern unless it continued to have the support of Davex Malaysia.
 - This support took the form of the Statement of Support, within the CY22 audited financial statements, that Davex Malaysia would, for a period of 12 months after the signing of those statements (which occurred on 27 July 2023):
 - Not call for repayment of its outstanding receivables if that were to cause the Company to not be able to meet its obligations as and when they fell due; and
 - Provide cash funding to the Company if required.
 - That support is qualified in the note, with the statement that Davex Malaysia may have not been in a position provide that support if the Company did not achieve its FY23 budget.
 - The support is further evidenced in practice by the accumulation of both the trade payables owing by the Company to Davex Malaysia (c.\$2.9m as at the appointment date) and a further c.\$2m intercompany loan position.

- As noted in Section 4.5 of this report the Company's solvency challenges commenced in or around November 2023, when it and Davex Malaysia became aware that if Davex Malaysia did not provide the SBLC required by Westpac, then the BFA would be withdrawn, and the Company would need to repay amounts drawn under the Trade Finance facilities as the individual loans under those facilities expired. This effectively meant the Company would have had to repay approximately \$1.6m to Westpac by the end of March 2024.
- In November and December 2023, the following occurred:
 - The Company was loss making in each of these months.
 - Total trade payables increased in the period 31 October 2023 to 31 December 2023.
 - The Company reduced its exposure to Westpac from approximately \$1.9m at the end of October to approximately \$1.2m at the end of December.
 - Davex Malaysia engaged PwC to provide advice on its options in respect of the Company and the directors engaged a safe harbour adviser.
 - Davex Malaysia engaged with the Company's management in respect of a potential MBO.
- On 16 January 2024, the Company entered into a payment plan with the ATO in respect of \$124,403.40 of outstanding BAS Liabilities (which we understand related to the September 2023 quarter), with the first of 10 monthly instalments to be paid on 23 January 2024.

6.2.2. Estimated date of insolvency

- Our preliminary view is the Company may have been insolvent just prior to the appointment of Administrators, and potentially from early November 2023.
- The primary reasons for our views are set out below:
 - Westpac's correspondence of 7 November 2023 indicating the impending withdrawal of the BFA in the absence of the provision of an SBLC by Davex Malaysia appears to be the key event that crystallised the Company's solvency and liquidity challenges. This meant the Company would require a replacement source of funding (in the region of approximately \$1.6m) in order to repay Westpac, in circumstances where it remained loss making and therefore not cashflow positive.
 - Given Westpac held existing first ranking security over all of the Company's assets, the only likely provider of an alternative source of funding was Davex Malaysia.
 - Davex Malaysia had provided the Statement of Support which included a commitment to provide cash funding to the Company if required during the period of 12 months to 27 July 2024. Given the qualification to that support, it is not clear whether Davex Malaysia would have been in a position to provide further funding support. That could only be determined by a retrospective analysis of the financial position of Davex Malaysia.
- It is therefore likely the date of insolvency would be closely linked to:
 - The point in time Davex Malaysia made the decision not to provide further support to the Company; and/or
 - The point in time that Davex Malaysia became incapable of providing further financial support to the Company (if that occurred prior to when Davex Malaysia made the decision not to provide further support).

- At this stage we have not been able to determine with a degree of accuracy either of the two (2) dates noted above. However, our preliminary analysis suggests Davex Malaysia did not withdraw its support prior to November 2023, given during November 2023 it was still taking professional advice in respect of its options in relation to the Company.

6.2.3. Preliminary view on liability for insolvent trading

- Whilst our preliminary view is the Company may have been insolvent from early November 2023, in our view it is unlikely a liquidator would pursue a claim against the Director for insolvent trading for the following reasons:
 - If it could be proven the Company was insolvent in November 2023, the maximum potential claim for insolvent trading would likely be the outstanding third party creditor balance as at the date of appointment, which was approximately \$500,000. This is because:
 - The Westpac Trade Finance facilities were in run off from mid-November 2023, meaning no new debts were incurred under the BFA (and as noted earlier the Westpac debt reduced between the end of October and the end of December); and
 - Given Mr Heng is a related party of Davex Malaysia, if an insolvent trading claim was commenced against him, Davex Malaysia would forgive the outstanding debts due to it from the Company so as to reduce the quantum of any claim.
 - The claim would likely be substantially less than \$500,000 because it could only capture new debts incurred from the date the Company became insolvent, which would likely not include all of the third party debts.
 - As noted above, for any claim to succeed, the liquidator would likely need to prove Davex Malaysia had either withdrawn its support prior to the appointment of Administrators or did not have the capacity to provide any support. Attempting to prove those positions would be time consuming and expensive.
 - Given the costs involved in pursuing insolvent trading claims generally, a claim of this magnitude (even if it could be proven) is unlikely to be commercially viable to pursue.
 - Furthermore, the Director may be protected from personal liability against any insolvent trading claim under the safe harbour provisions of the Act.

6.2.4. Directors' capacity to pay claims by a liquidator

- We have not received information from the Director or Former Director in relation to their personal financial position.
- However, a property search performed on each of the directors indicated Mr Heng is not registered as the owner of any property in Australia. We are awaiting the completion of a similar search in respect of Ms Dyson.
- We are unable to definitively comment at this time as to whether any directors' and officers' insurance policies would potentially respond to a claim for insolvent trading.

6.3. Voidable transactions and offences

- We set out below our preliminary findings in relation to potential recoveries from voidable transactions in a liquidation scenario including our view on the likelihood of there being substantiated and supportable claims. Where applicable, we have included our estimate of possible recoveries along with any other pertinent information.
- For general information explaining these matters, including a list of applicable offences, please refer to **Appendix 4**.

Area	Our view	Comments
Unfair preferences	No claims	■ Our investigations to date have not identified any potential unfair preference transactions that would likely result in property being recovered for the benefit of creditors.
Uncommercial transactions	No claims	■ We are not aware of any potential uncommercial transactions that would likely result in property being recovered for the benefit of creditors.
Unfair loans	No claims	■ We are not aware of any potential unfair loans that would likely result in property being recovered for the benefit of creditors.
Unreasonable payments to directors	No claims	■ Our investigations to date have not found any evidence of unreasonable payments to directors.
Related entity benefit	No claims	■ Our investigations to date have not revealed any transactions with related entities that would likely result in property being recovered for the benefit of creditors.
Arrangements to avoid employee entitlements	No claims	■ Our investigations to date have not revealed the existence of any such arrangements.
Voidable charges	None	■ Our investigations have not revealed any charges or registered security interests that would be void against a liquidator.
Offences by directors	No claims	■ Whilst our preliminary view is the Company may have been insolvent just prior to our appointment, or potentially from early November 2023, we think it is unlikely a liquidator would pursue an insolvent trading claim due to (i) the claim being uneconomic to pursue and (ii) the directors potentially having a valid safe harbour defence to insolvent trading.

6.4. Potential claims against Davex Malaysia

- We have identified potential further claims which relate to the Statement of Support provided by Davex Malaysia to the Company in connection with the Company's CY22 audited accounts. That Statement of Support, which was effective for 12 months from the date the audited accounts were signed on 27 July 2023, included a commitment that Davex Malaysia would not call for repayment of any amounts owing where it would impede the Company's ability to meet its obligations.
- We note we have not sighted the Statement of Support that is referred to in the CY22 audited accounts, which were signed by the Company's directors on 27 July 2023.

- Notwithstanding this commitment, payments were made by the Company to Davex Malaysia during this period. Further investigations and legal advice would be required to determine whether these payments could give rise to potential recovery actions available to the Company.
- This is further considered in **Appendix 3**.

6.5. Disclosures: effect on employees

6.5.1. Effect on employees – liquidation

Position as priority creditors

- Employees are afforded a priority in the winding up of a company compared to ordinary unsecured creditors. The order of priority for typical employee claims is as follows:
 - Amounts due in respect of wages, superannuation and superannuation guarantee charge outstanding as at the date of the appointment of Administrators, followed by
 - Amounts due in respect of leave of absence and other amounts due under the terms of an industrial instrument, followed by
 - Retrenchment payments.

Return to employees if the Company is wound up

- Section 7 of this report includes details about the estimated return to creditors if the Company is wound up and a liquidator appointed.

Government assistance available if the Company is wound up

- If there are insufficient funds available to employees from the Company's property, eligible employees may be entitled to lodge a claim for their unpaid entitlements under the Federal Government's FEG Scheme.
- Details about FEG can be read at: <https://www.employment.gov.au/fair-entitlements-guarantee-feg>.

6.5.2. Effect on employees – DOCA

- Employees should note the FEG scheme is not available to employees in the event the Company executes a DOCA. We note that no DOCA has been proposed.

7. Estimated return to creditors

7.1. Administrators' estimated statement of position

- As explained in Section 5.2 of this report, as the ASA had not completed at the date of this report, we have provided a comparison of the estimated returns to creditors in a liquidation, under two (2) scenarios:
 - Asset Sale: assumes the ASA completes.
 - No Asset Sale: assumes the ASA does not complete and we are forced to realise the Company's assets on a piecemeal basis.

Administrators' estimated statement of position					
	Notes	Liquidation - Asset Sale		Liquidation - No Asset Sale	
\$'000s		Low	High	Low	High
Transaction Proceeds					
Net asset sale consideration	1	1,000,000	1,200,000		
Circulating Assets					
Cash at bank	2	400,000	448,591	400,000	448,591
Pre-appointment debtors	3	500,000	1,500,000	500,000	750,000
Inventory	4			270,000	330,000
Other assets	5	Nil	62,470	Nil	62,470
Liquidator claims					
	6				
Voidable recoveries		Nil	Unknown	Nil	Unknown
Insolvent trading actions		Nil	Unknown	Nil	Unknown
Trading and administration costs					
	7				
Projected trading position		(600,000)	(300,000)	(600,000)	(300,000)
Voluntary Administrators' remuneration		(550,000)	(550,000)	(550,000)	(550,000)
Liquidators' remuneration		(250,000)	(250,000)	(250,000)	(250,000)
Legal and advisor fees		(120,000)	(100,000)	(120,000)	(100,000)
Amount available for Priority Creditors		380,000	2,011,061	(350,000)	391,061
Priority Creditors					
	8				
Outstanding wages and superannuation		(18,098)	(18,098)	(18,098)	(18,098)
Outstanding leave entitlements		(3,184)	(3,184)	(111,106)	(111,106)
Redundancy and PILN		(17,275)	(17,275)	(398,113)	(398,113)
Net surplus / (deficit) from priority creditors		341,442	1,972,503	(877,317)	(136,256)
Non-circulating assets					
Property, plant and equipment	9			37,400	84,291
Amount available for first ranking secured creditor		341,442	1,972,503	(839,917)	(51,965)
Secured Creditor	10	(1,176,597)	(1,225,188)	(1,176,597)	(1,225,188)
Net surplus / (deficit) from first ranking secured creditors		(835,155)	747,315	(2,016,514)	(1,277,153)
Unsecured creditors					
Related party creditors		(4,930,997)	(4,930,997)	(4,930,997)	(4,930,997)
Statutory creditors		(239,665)	(239,665)	(239,665)	(239,665)
Other unsecured creditors		(1,740,017)	(1,590,017)	(1,740,017)	(1,590,017)
Priority Creditors cents/\$		100.0%	100.0%	0.0%	74.2%
First ranking secured creditors cents/\$		29.0%	100.0%	0.0%	0.0%
Unsecured creditors cents/\$		0.0%	11.1%	0.0%	0.0%

Notes

1. Net asset sale consideration

- This amount represents the overall purchase price for which the Purchaser will acquire the Company's inventory, PPE and includes the transfer of employees under the proposed ASA.
- The actual amount is subject to a final stocktake to be undertaken prior to Completion – we expect this to occur within two(2) weeks of the date of this report.

2. Cash at bank

- The Administrators expect to realise c.\$400k, representing the amount of funds recovered from the Company's trust account. A further c.\$48k was held in a Westpac trading account as at the date of appointment.

3. Pre-appointment debtors

- The Company records its receivables gross of rebates which are recorded in other parts of the balance sheet, including trade payables rebate liabilities. Work is ongoing to determine the collectability of the receivables in light of these rebates. The current terms of the ASA as at 15 February 2024 provisions for improved collection of receivables.

4. Inventory

- Under the current terms of the ASA the realisable value for PPE is inclusive in the net asset sale consideration. In the event the asset sale is not completed, a forced sale value of the inventory is contemplated.

5. Other assets

- Any estimated realisable value is subject to the return of various rental bonds held by landlords.

6. Voidable transactions

- As detailed in Section 8.2 of this report, based on our preliminary investigations we do not consider there to be any voidable transactions.
- Given the short period the Company traded whilst potentially insolvent, and the costs involved in pursuing insolvent trading claims generally, a claim of this magnitude (even if it could be proven) is unlikely to be commercially viable to pursue.

7. Trading and administration costs

- The trading position considered the actual and forecast cash inflows and outflows which relate to the period following our appointment.
- We have considered a low and high scenario for our projected trading and administration costs.
- The estimated value is dependent on the remaining duration of the trading period through to Completion of the asset sale or realisation of the inventory assets on a piecemeal basis and recovery of post-appointment trading receivables.
- Please refer to the Remuneration approval reports for information regarding:
 - Administrators' remuneration and disbursements to date;
 - Administrators' future remuneration and disbursements; and
 - The Liquidators' future remuneration.

8. Priority creditors

- A summary of estimated returns to employees is provided at Section 9.3 of this report. The proposed terms of the ASA include the transfer of employees, reducing the liability to priority creditors.

9. Property, plant and equipment

- Under the current terms of the ASA the realisable value for property plant and equipment is included in the net asset sale consideration.
- In a scenario where the ASA is not completed, the low value represents the estimated forced sale value while the high value represents the estimated market value.

10. Secured creditor

- Westpac currently holds an All PAAP security registration over all of the Company's assets in relation to the Company's BFA.
- The details of the secured interest are included at Section 12.2 of this report. Westpac's final claim amount will be dependent on whether the \$48k held in the Company's trading account on appointment can be realised.

7.2. Administrators' receipts and payments

- A summary of receipts and payments for the period 18 January 2024 to 11 February 2024 is shown below.

Administrators' receipts and payments to 11 February 2024	
Receipts	
Pre-appointment Cash at Bank	400,066
Pre-appointment sales receipts	257,546
Post-appointment sales receipts	4,070
Total receipts	661,682
Payments	
Freight	(37,793)
Staff reimbursements	(192)
Duress payments	(1,448)
Hire / Leasing costs	(1,429)
IT Consumables / Services	(9,957)
Rent	(15,974)
Wages	(75,543)
PAYG	20,060
Total payments	(122,276)
Net receipts & payments	539,406

7.3. Impact of related entity claims on dividend prospects

- We understand the Company's related party Davex Malaysia represents a material portion of the estimated unsecured creditor pool (c.73%).
- In the event of a dividend declaration, Davex Malaysia ranks as an ordinary unsecured creditor able to claim in the Voluntary Administration and participate in any dividend which may be distributed to creditors. Like all creditor claims, ability to participate in a dividend is dependent on submission of a valid proof of debt claim to be adjudicated on.

7.4. Estimated timing of payments to creditors

- An indicative range of the estimated timing of dividends under each option (and to each class of creditor) is set out below:

Secured creditors: 6 to 12 months from the commencement of the Liquidation.

Employee priority creditors: 6 to 12 months from the commencement of the Liquidation.

Ordinary unsecured creditors: 6 to 12 months from the commencement of the Liquidation.

8. Administrators' opinion and recommendation

8.1. Opinion and recommendation to creditors

8.1.1. What creditors can decide at the meeting

- At the second meeting of creditors, creditors are required to decide whether:
 - The Company should execute a DOCA;
 - The Administration of the Company should end; or
 - The Company should be wound up.
- In accordance with the requirements of section 75-225 of the Insolvency Practice Rules (Corporations) 2016, the Administrators must provide an opinion on each of the above options, and whether the option is in the creditors' interests.

8.1.2. Administrators' opinions on the options available to creditors

Execution of a deed of company arrangement

- As no DOCA has been proposed, creditors cannot resolve to accept a DOCA at this time. Therefore, we do not consider it would be in the creditors' interests for the Company to execute a DOCA.
- It remains an option for creditors to consider whether they may wish to adjourn the forthcoming meeting of creditors to allow time for a DOCA proposal to be submitted.

The Administration comes to an end

- If the creditors vote for this alternative, control of the Company would revert to the directors following the forthcoming meeting of creditors.
- The Company is insolvent with no cash to pay the Company's debts and no confirmed prospects of obtaining external funding. Therefore we do not consider that it would be in the creditors' interests for the Administration to end.

The Company is wound up

- We consider that it would be in the creditors' interests for the Company to be wound up as creditors are likely to receive a higher return than they may receive under the terms of a DOCA, and it is not appropriate that the Administration ends for the reasons noted above.

8.1.3. Administrators' opinion on voidable transactions

- It is the opinion of the Administrators that at this stage there does not to be transactions that may be commercially recoverable as voidable transactions as outlined in section 75-225 of the Insolvency Practice Rules (Corporations) 2016.

Administrators' opinion and recommendation

- We do note there may be claims against Davex Malaysia in connection with the Statement of Support, as noted in Section 6 of this report. Further analysis and legal advice is required to determine whether there are actions capable of being brought by the Company against Davex Malaysia and if these would be classified as voidable transactions; and, if so, whether they are commercial to pursue.

Dated: 15 February 2024



David McGrath

Joint and Several Administrator

David McGrath

Senior Managing Director
david.mcgrath@fticonsulting.com

Kelly Trenfield

Senior Managing Director
kelly.trenfield@fticonsulting.com

Benjamin Campbell

Senior Managing Director
ben.campbell@fticonsulting.com

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9. Appendix 1 – Glossary and terms of reference

Term	Definition
the Act	Corporations Act 2001 (Cth)
All PAAP	All present and after acquired property security interest
ASA	Asset Sale Agreement
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office (incorporating the Deputy Commissioner of Taxation, as applicable)
BAS Liabilities	Business Activity Statement liabilities including GST and PAYG
BFA	Business Finance Agreement
Business Overdraft	Overdraft facility with Westpac Banking Corporation
c.	Circa
Company	Davex Australia Pty Limited
Completion	Execution/settlement of the Asset Sale Agreement
CYXX	Calendar year ending 20XX
Davex Malaysia	Davex Malaysia Sdn Bhd and its related entity Davex Engineering Sdn Bhd
Director	Khim Hui Heng
Former Director	Kylie Anne Dyson
DIRRI	Declaration of independence, relevant relationships and indemnities
DOCA	Deed of company arrangement
EBIT / EBITDA	Earnings before interest and tax / Earnings before interest, tax, depreciation and amortisation
Ekuinas	A Malaysian private equity firm who is the owner of Davex Malaysia
ERV	Estimated realisable value
FEG	Fair Entitlement Guarantee scheme
FY14, FY15, FY16	Financial years ended/ending 30 June 2014, 30 June 2015 and 30 June 2016
General Manager	Warren Ferguson
GST	Goods and Services Tax, as applicable in Australia
IP	Intellectual property
M&A	Merger and Acquisition
Management	The senior officers, employees and advisors of the Company including Warren Ferguson
MBO	Management buy-out
NBIO	Non-binding indicative offer
NPAT	Net profit after tax
PAYG	Pay As You Go Withholding
POD	Proof of Debt or Claim Form
PPSR	Personal Property Securities Register
Purchaser	The party to the Asset Sale Agreement
PwC	PwC Australia
ROCAP	Report on Company Activities and Property
SBLC	Stand By Letter of Credit
Secured Creditors	Westpac Banking Corporation, Pro-Pac packaging (Aust) Pty Limited Valmont Irrigation Australia Pty Ltd; Locker Group Pty Ltd; Valmont Group Holdings Pty Ltd; Valmont Australia Pty Ltd; Delta Galvanizing Pty Ltd.; Valmont Highway International Pty Limited; Webforge Australia Pty Ltd; Industrial Galvanizers Corporation Pty Ltd; Donhad Pty Ltd; Gratings Dga Pty Ltd; Galvline Tasmania Pty. Ltd. Westpac Banking Corporation Hp Financial Services (Australia) Pty Limited Metal Manufactures Pty Limited

Statement of Support	Statement of Support provided by Davex Malaysia in connection with the Company's CY22 audited accounts, effective for 12 months from 27 July 2023
Trade Finance	Trade finance facility with Westpac Banking Corporation
The Company	Davex Australia Pty Ltd
Valmont	Valmont Irrigation Australia Pty Ltd; Locker Group Pty Ltd; Valmont Group Holdings Pty Ltd; Valmont Australia Pty Ltd; Delta Galvanizing Pty. Ltd.; Valmont Highway International Pty Limited; Webforce Australia Pty Ltd; Industrial Galvanizers Corporation Pty Ltd; Donhad Pty Ltd; Gratings DGA Pty Ltd; Galvline Tasmania Pty. Ltd.
Westpac	Westpac Banking Corporation
YTD	Year to date

9.1. Terms of reference

- This report has been prepared for the creditors of Company to assist them in evaluating their position as creditors and in deciding on the Company's future. None of the Administrators, FTI Consulting and its staff shall assume any responsibility to any third party to which this report is disclosed or otherwise made available.
- This report is based on information obtained from the Company's records, the directors and management of the Company and from our own enquiries. While we have no reason to doubt the veracity of information contained in this report, unless otherwise stated we have proceeded on the basis that the information provided and representations made to us are materially accurate, complete and reliable. We have not carried out anything in the nature of an audit, review or compilation.
- This report may contain prospective financial information, including estimated outcomes for creditors, and other forward looking information. As events and circumstances frequently do not occur as expected, there may be material differences between estimated and actual results. We take no responsibility for the achievement of any projected outcomes or events.
- We reserve the right to alter any conclusions reached on the basis of any changed or additional information which may become available to us between the date of this report and the forthcoming meeting of creditors.
- Creditors should seek their own advice if they are unsure how any matter in this report affects them.

10. Appendix 2 – Company information

10.1. Statutory Information

Statutory information	
Incorporation Date	24 June 1991
Registered Address	Level 1, 172 Evans Road, Salisbury, 4107, QLD
Principal Place of Business	31 Beal Street, Meadowbrook, 4131, QLD
Directors and Officers	Mr Khim Hui Heng – appointed on 12 December 2017 Ms Kylie Anne Dyson – appointed on 30 May 2023 (resigned on 15 January 2024)
Shareholders	The Company has \$7m in paid up capital and 7m shares on issue. 100% of the shares are held by Davex Malaysia.
Related entities	Davex Malaysia
Description of trading activities	Import and sale of lighting products.

10.2. Details of security interests and charges

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

Details of security interests and charges			
Registration Number	Secured Party	Date Registered	Collateral Class
201201051983335	Pro-Pac Packaging (Aust) Pty Limited	30-Jan-12	Other goods
202103080000985	HP Financial Services (Australia) Pty Limited	8-Mar-21	Other goods
202103080000992	HP Financial Services (Australia) Pty Limited	8-Mar-21	Other goods
202307030040741	Valmont Irrigation Australia Pty Ltd; Locker Group Pty Ltd; Valmont Group Holdings Pty Ltd; Valmont Australia Pty Ltd; Delta Galvanizing Pty. Ltd.; Valmont Highway International Pty Limited; Webforce Australia Pty Ltd; Industrial Galvanizers Corporation Pty Ltd; Donhad Pty Ltd; Gratings DGA Pty Ltd; Galvline Tasmania Pty Ltd	3-Jul-23	Other goods
202307110039643	Metal Manufacturers Pty Limited	11-Jul-23	Other goods
202308150105200	Westpac Banking Corporation	15-Aug-23	All PAAP

- We note the Valmont registration was discharged on 24 January 2024.

10.3. Historical financial information

10.3.1. Balance Sheet Summary

- The Company's balance sheet indicates that its primary assets are inventory, receivables and cash. The Company has historically been funded by intercompany trade payables and loans (i.e. Davex Malaysia has supplied the Company with inventory without requiring the Company to make payment where it has had insufficient cash to do so) and the Westpac BFA. Third party creditors appear to have been maintained largely within terms, with the balance generally in the range of c.\$0.3 to \$0.5m.
- The balance sheet also shows negative net assets, which reflects the Company having operated at a loss in the recent past.

Adjusted Historical Financial Position								
000's	Notes	Dec-22	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Cash	1	633	473	849	446	472	834	796
Receivables	2	2,056	2,764	2,973	2,867	2,507	2,400	2,092
Other assets		110	172	163	142	117	107	99
Inventory	3	2,732	2,842	3,219	3,112	3,251	2,735	2,388
Deferred tax assets		465	465	465	465	465	465	465
Current assets		5,996	6,717	7,670	7,032	6,812	6,542	5,841
Right of use assets		324	324	324	324	324	324	324
Property, plant and equipment		57	62	60	58	56	54	51
Non-current assets		381	386	384	382	380	378	376
Total assets		6,377	7,103	8,054	7,414	7,192	6,920	6,216
Trade payables	4	51	(403)	(541)	(240)	(339)	(247)	(546)
Intercompany trade payables	5	(1,434)	(2,376)	(2,614)	(2,745)	(2,187)	(2,910)	(2,780)
Intercompany loan	6	(950)	(1,349)	(2,193)	(1,960)	(2,197)	(1,566)	(2,027)
Current Lease Liability		(348)	(348)	(348)	(348)	(348)	(348)	(348)
Other Liabilities		(1,470)	(1,141)	(791)	(971)	(1,044)	(1,076)	(448)
Loan Facility	7	(1,900)	(1,881)	(1,867)	(1,799)	(1,892)	(1,643)	(1,176)
Rebates	8	(598)	(584)	(635)	(652)	(707)	(725)	(676)
Current liabilities		(6,648)	(8,083)	(8,989)	(8,715)	(8,714)	(8,515)	(8,002)
Non-current Lease Liability		(16)	(16)	(16)	(16)	(16)	(16)	(16)
Non-current liabilities		(16)	(16)	(16)	(16)	(16)	(16)	(16)
Total Liabilities		(6,663)	(8,099)	(9,004)	(8,730)	(8,729)	(8,531)	(8,017)
Net Assets		(286)	(996)	(951)	(1,316)	(1,538)	(1,611)	(1,801)
Key Metrics								
Current Ratio		0.90	0.83	0.85	0.81	0.78	0.77	0.73
Quick Ratio		0.49	0.48	0.50	0.45	0.41	0.45	0.43
Adj. Current Ratio		1.41	1.54	1.83	1.75	1.57	1.62	1.83
Adj. Quick Ratio		0.66	0.78	0.95	0.86	0.71	0.83	0.94

Source: Statutory Accounts Dec-22 to Dec-23

Notes:

1. Cash

- Reflects cash held by the Company in its operating bank account.

2. Receivables

- Reflects invoices due from customers.
- The receivables are shown gross of rebates which are recorded in other parts of the balance sheet, including trade payables rebate liabilities.
- Work is ongoing to determine the collectability of the receivables in light of these rebates.

3. Inventory

- Represents inventory held in the Company's warehouses and in transit or on the water.
- We understand that inventory decreased materially in the months leading up to our appointment as the Company scaled back orders and focussed on running down inventory to generate cash for the purposes of paying down the Westpac BFA following Westpac's decision to make that facility unavailable in late 2023.

4. Trade payables

- Includes payables to third party inventory suppliers and other general suppliers.
- We understand the increase in trade payables in December is driven by the recognition of a customer rebate, which was recorded as a trade payable.

5. Intercompany trade payables

- Reflect amounts due to Davex Malaysia in respect of inventory supplied to the Company.

6. Intercompany loan

- The intercompany loan balance fluctuates as goods in transit are reclassified as intercompany trade payables over time.

7. Loan facility

- Reflects drawings under the Trade Finance facilities provided by Westpac pursuant to the BFA.
- The balance reduced from October onwards as individual loans were repaid without further drawings, following Westpac's decision to cancel the availability of the Trade Finance facilities.

8. Rebates

- Reflects rebates owed to customers.
- Work is ongoing to understand whether customers are entitled to offset rebates against outstanding pre-appointment receivables.

10.3.2. Profit and Loss Summary

- The Company's historical financial performance (profit and loss statement) for the calendar years ended 31 December 2022 and 31 December 2023 is set out below.
- The profit and loss statements indicate the Company was loss making throughout CY22 and CY23. This has primarily been due to the Company generating insufficient gross profit to cover its overheads.
- Whilst the Company was able to improve both its revenue and gross margin percentage in CY23, these improvements were insufficient to enable it to trade profitably.

Profit and loss statement – Historical financial performance			
\$'000s	Notes	CY22	CY23
Sales	1	11,289	12,244
Other income		33	20
Total Revenue		11,322	12,264
COGS	2	(7,608)	(8,092)
Gross Profit		3,714	4,172
Admin & General	3	(1,328)	(1,279)
Selling & Distribution costs	4	(3,567)	(3,600)
Management incentive	5	(137)	(59)
Group Service Expenses	6	-	(376)
FX Gain / Loss		70	13
EBIT		(1,248)	(1,129)
Depreciation		(40)	(28)
EBITDA		(1,288)	(1,157)
Interest expenses	7	(140)	(386)
PBT		(1,429)	(1,543)
Tax		-	-
NPAT	8	(1,429)	(1,543)
Key Metrics			
Gross Margin		33%	34%
EBITDA Margin		(11)%	(9)%
Admin & General as % of Rev.		12%	10%
Selling & Dist. as % of Rev.		32%	29%

Source: Management accounts CY22 and CY23

- The Company's profit and loss statements for the six (6) months prior to appointment are displayed below. These profit and loss statements indicate the Company continued to remain loss making in the months leading up to our appointment.

Profit and loss statement – Historical financial performance							
\$'000s	Notes	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Sales	1	1,190	1,487	1,095	889	1,178	708
Other income		15	-	-	-	-	-
Total Revenue		1,204	1,487	1,095	889	1,178	708
COGS	2	(799)	(955)	(707)	(626)	(795)	(469)
Gross Profit		406	532	388	263	383	239
Admin & General	3	(105)	(107)	(87)	(93)	(89)	(75)
Selling & Distribution costs	4	(290)	(339)	(299)	(299)	(304)	(305)
Management incentive	5	-	(25)	-	-	-	70
Group Service Expenses	6	-	-	(246)	(37)	(28)	(65)
FX Gain / Loss		5	-	(8)	(18)	3	-
EBIT		15	62	(252)	(184)	(36)	(136)
Depreciation		(2)	(2)	(2)	(2)	(2)	(2)
EBITDA		13	60	(254)	(187)	(38)	(139)
Interest expenses	7	(14)	(17)	(114)	(37)	(38)	(53)
PBT		(0)	43	(368)	(224)	(76)	(192)
Tax	8	-	-	-	-	-	-
NPAT		(0)	43	(368)	(224)	(76)	(192)
Key Metrics							
Gross Margin		34%	36%	35%	30%	33%	34%
EBITDA Margin		1%	4%	(23)%	(21)%	(3)%	(20)%
Admin & General as % of Rev.		9%	7%	8%	10%	8%	11%
Selling & Dist. as % of Rev.		24%	23%	27%	34%	26%	43%

Source: Management accounts CY22 and CY23

Notes:

1. Sales

- Reflects revenue recognised from the sale of lighting products.

2. COGS

- Reflects the cost of lighting products purchased from overseas manufacturers, including Davex Malaysia.

3. Admin & General

- Includes rent for leased premises in Minchinbury (NSW) and Meadowbrook (QLD), salaries, as well as a provision for bad or doubtful debts.

4. Selling & Distribution costs

- Includes salaries for sales and distribution employees, freight and international marketing expenses.

5. Management incentive

- The Company pays quarterly bonuses to employees as part of a sales incentive scheme. These are typically paid in the quarter following the incentive period.

6. Group Service Expenses

- Represent recharges by Davex Malaysia for the provision of certain centralised services including HR, payroll and finance.
- The inflated expenses recorded in September 2023 reflects the recognition of shared services costs for the period YTD CY23, which had not previously been accrued.

7. Interest expenses

- Relates to interest charged on the Westpac BFA.

8. Tax

- The Company has not included provisions for income tax in the profit and loss statement on the basis it is loss making.

11. Appendix 3 – Investigations – analysis and information

11.1. General information and considerations

11.1.1. Date of insolvency

- In order to ascertain if there were any insolvent transactions entered into by a company, it is first necessary to determine the date a company became insolvent.
- Proving the date on which a company became insolvent is an essential element of recovery actions with respect to unfair preferences, uncommercial transactions and insolvent trading.
- Recovery actions require the liquidator to prove that the particular company was insolvent at the time of the transaction, or in the case of an insolvent trading action, when the debt was incurred.

11.1.2. What is insolvency?

- Solvency is defined in section 95A of the Act as when a company is able to pay all its debts as and when they become due and payable. A company that is not solvent is insolvent.
- Whether a company is able to meet its debts as they become due is essentially a “cash flow” test rather than a “balance sheet” test (although the company’s balance sheet position is still relevant).
- Consideration of the entire financial position of a company is required to establish if it is insolvent at a particular date. This includes factors such as the value of the company’s assets relative to its liabilities and the nature of these assets and liabilities. Also, the extent to which cash is expected to be generated from future trading activities, or available from alternative sources is relevant to considering a company’s solvency position.

11.1.3. General and commercial considerations

- Proving insolvency is often a complex exercise and usually involves considerable time and expense in thoroughly investigating all aspects of claims. Legal advice on the merits of claims is generally required.
- Typically, insolvent trading claims are defended and directors may seek to rely on the statutory defences available to them.
- Legal proceedings are often necessary for liquidators to pursue claims. This adds to the time and costs involved in pursuing claims. There is also inherent uncertainty involved with any litigation. As a result, commercial considerations are relevant, including whether the amount of the claim is large enough to pursue on a cost and risk/benefit basis.
- The capacity of a party to pay any successful claim to a liquidator is also a relevant consideration in determining whether or not pursuing an action is likely to be in the interest of creditors.

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

11.2. Indicators of potential insolvency

11.2.1. Factors to take into account

- Determining whether a company is insolvent (and the date at which insolvency occurred) is open to interpretation and is ultimately a matter for the courts to decide. The courts have identified fourteen general indicators on insolvency which are considered further in ASIC Regulatory Guide 217.
- Our investigations to date have identified some of these indicators apply, or may apply, to the Company as summarised below.

Indicator	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Comment
Trading losses	x	x	✓	✓	✓	✓	The Company had a history of trading losses across CY22 and CY23, with the exception of July 2023 and August 2023 where a small profit was recorded.
Insufficient cash flow	x	x	x	x	x	x	The Company was able to maintain sufficient cash because it was not required to pay outstanding debts due to Davex Malaysia.
Difficulties in selling stock or collecting debts	x	x	x	x	x	x	We are not aware of difficulties selling stock or collecting debts.
Creditors paid outside terms / special arrangements	x	x	x	✓	✓	✓	A review of the Company's aged payable ledger indicates third party creditors were generally paid within, or close to terms. Based on the CY22 audited accounts, the Company had an agreement with Davex Malaysia that it would not need to repay debts to Davex Malaysia if that impacted its ability to meet its other obligations. We understand the October BAS liability was not paid in October 2023, and remained outstanding in November and December 2023, but a payment plan was entered into with the ATO in January 2024.
Arrears of statutory liabilities	x	x	x	✓	✓	✓	We understand the Company was up to date with statutory lodgements as at the date of appointment, however did enter a payment plan with the ATO on 16 January 2024 for payment of the October 2023 BAS.

Indicator	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Comment
Cheques are being returned dishonoured / payments dishonoured	x	x	x	x	x	x	We are not aware of any dishonoured cheques or payments.
Legal action threatened or commenced	x	x	x	x	x	x	We are not aware of any ongoing or threatened legal action.
Inability to obtain new or alternative funding	x	x	x	x	✓	✓	In November 2023, Westpac advised it would require Davex Malaysia to provide an SBLC prior to 30 November 2023 to continue to make the Company's facilities available under the BFA. It also ceased accepting new trade loans from 15 November 2023. When the SBLC was not provided, the business overdraft was cancelled and the individual loans under the facility became payable at their due dates (various dates in March 2024).
Inability to produce accurate financial information	x	x	x	x	x	x	It appears the Company was able to produce accurate financial information
Resignation of directors or other senior management	x	x	x	x	x	x	On 15 January 2024, Kylie Dyson resigned from her position as director of the Company.
Qualified audit opinion	✓	✓	✓	✓	✓	✓	The audit opinion included in the CY22 financial statements expressed material uncertainty in relation to the solvency of the Company and its ability to continue as a going concern. It cited the Company's reliance on continued funding support from Davex Malaysia and that Davex Malaysia may not be capable of providing such support if the Company did not achieve its CY23 forecasts.
The Company has defaulted, or is likely to default, on its agreements with its financier	x	x	x	x	✓	✓	Westpac withdrew the BFA following Davex Malaysia's decision to not provide the SBLC prior to the end of November 2023.
Finance staff raise solvency concerns	x	x	x	x	x	x	Whilst we are not aware of finance staff raising concerns regarding the solvency of the Company, we understand Management was aware of the intercompany debts and deteriorating relationship with Westpac.

Indicator	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Comment
Inability to sell surplus assets	x	x	x	x	x	x	We are not aware of the Company being unable to sell surplus assets in the months prior to the appointment.
Issuing post-dated cheques	x	x	x	x	x	x	We are not aware of any post-dated cheques.

Key	Symbol
Indicator present	✓
Further investigation required	?
Indicator not considered present	x

11.3. Date of insolvency

11.3.1. Overview

- Our preliminary investigations indicate it is possible that the Company may have been insolvent just prior to our appointment, or potentially from early November 2023. Further work would be required by a liquidator to firm up the actual date of insolvent.
- We have considered our assessment of the Company's solvency in the following context:
 - As set out in Section 6.2 of this report the Company had been loss making for a number of years and had negative net assets (due to accumulated net losses).
 - However, it did have the ongoing support of its parent and largest creditor, Davex Malaysia, which was documented in the Statement of Support, as referenced in the CY22 audited accounts. Pursuant to this arrangement, Davex Malaysia had agreed not to require the Company to repay any amounts owing to it and had agreed to provide further funding if required by the Company. That commitment extended for 12 months after signing the CY22 accounts, which occurred on 27 July 2023. The audited accounts also indicate Davex Malaysia may not have been in a position to provide this funding if the Company did not meet its CY23 forecast.
 - The Director's ROCAP notes that the cause of the Company's failure was the withdrawal of support from Davex Malaysia.
 - It is therefore likely the date of insolvency would be closely linked to:
 - The point in time that Davex Malaysia made the decision not to provide further support to the Company; and/or
 - The point in time that Davex Malaysia became incapable of providing further financial support to the Company (if that occurred prior to the date at which Davex Malaysia made the decision not to provide further support).
 - In November 2023, Davex Malaysia engaged PwC to provide advice on its options in respect of the Company. Around the same time the directors engaged an adviser to provide safe harbour advice.
 - It therefore appears unlikely that Davex Malaysia could have withdrawn its support prior to November 2023.
- Given the above context, any assessment of the date the Company became insolvent is complex and involves numerous factors beyond a simple balance sheet test or cash flow test.

11.3.2. Solvency review – balance sheet test

- The Balance Sheet Test assesses the solvency of a company with reference to the company's net asset position (i.e. the level of total assets relative to total liabilities).
- The Company's reported net asset position was negative throughout the period under review, as set out below:

Balance sheet test						
\$'000s	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Total Assets	7,103.1	8,053.9	7,414.2	7,191.8	6,919.7	6,216.3
Total Liabilities	(8,098.6)	(9,004.4)	(8,730.4)	(8,729.3)	(8,530.8)	(8,017.2)
Net Assets	(995.6)	(950.6)	(1,316.2)	(1,537.6)	(1,611.1)	(1,800.9)
Key Metrics						
<i>Current Ratio</i>	<i>0.83</i>	<i>0.85</i>	<i>0.81</i>	<i>0.78</i>	<i>0.77</i>	<i>0.73</i>
<i>Quick Ratio</i>	<i>0.48</i>	<i>0.50</i>	<i>0.45</i>	<i>0.41</i>	<i>0.45</i>	<i>0.43</i>
<i>Adj. Current Ratio</i>	<i>1.00</i>	<i>1.13</i>	<i>1.75</i>	<i>1.57</i>	<i>1.62</i>	<i>1.83</i>
<i>Adj. Quick Ratio</i>	<i>0.51</i>	<i>0.59</i>	<i>0.86</i>	<i>0.71</i>	<i>0.83</i>	<i>0.94</i>

Source: Statutory Accounts Jul-23 to Dec-23

- The Company maintained a current ratio less than 1 (i.e., current liabilities in excess of current assets) for a least the six (6) month period leading up to the appointment of Administrators, indicating a potential liquidity shortfall.
- In our review we have adjusted the current ratio and quick ratio to remove the intercompany trade payables and the intercompany loan with Davex Malaysia. This results in the current ratio improving to greater than 1 for the period August 2023 to December 2023, illustrating that without the intercompany debt, the business had sufficient current assets to meet short term liabilities.
- We also note that removing the liabilities to Davex Malaysia would allow the Company to report positive net assets.
- Based on the above, the balance sheet test does not conclusively prove that the Company was insolvent prior to our appointment on the basis it would have had positive current assets as at 31 December 2023 if the intercompany debts payable to Davex Malaysia were excluded from the calculation of net assets, which is consistent with the terms of the Statement of Support.

11.3.3. Solvency review – cash flow test

- The cash flow test involves assessing the Company's ability to meet its obligations as and when they fall due. There are many elements to consider and we have considered the following:
 - Trade creditor ledgers and information (including ageing profile) to assess whether the Company had been meeting their payments on time;
 - Statutory liability position to assess whether the Company had been meeting their statutory liabilities;
 - Liquidity ratios and levels of working capital to assess whether the Company had sufficient liquidity to meet its liabilities in the short term;
 - EBITDA and profit and loss position to assess the Company's ability to generate sufficient cash to meet their obligations;
 - Sources of funding and support by financiers or related entities to assess whether the Company had any alternative sources of funding; and

- The existence of other indicia of insolvency.

Trade Credit Ledger (Aged Profile)

- We have reviewed the Company's aged payables balance as at 31 December 2023 to ascertain the extent of overdue creditors as at the date of appointment. The ageing profile of the Company's trade payables and related party payables as at 31 December 2023 (i.e. the closest month end date to our appointment date) is set out below.

Aged Payable Summary - 31 December 2023						
\$'000s	Current	30 days	60 days	90 days	120 days	Total
Trade Payables	(257,765)	(235,417)	(117)	21,471	(3,612)	(475,441)
Related Party Payables	-	(120,491)	(482,692)	(982,320)	(1,194,548)	(2,780,051)
Total Aged Payables	(257,765)	(355,908)	(482,809)	(960,850)	(1,198,160)	(3,255,492)

Source: Accounts Payable Ledger as at 31 December 2023

- This analysis indicates that as at 31 December 2023:
 - Third party trade payables were largely either current , or less than 30 days overdue; and
 - Related party payables (i.e. amounts owing to Davex Malaysia) were materially outside of terms, which reflects the fact Davex Malaysia was providing funding support to the Company.
- Our review has also identified that at the time of appointment:
 - There were no material wages outstanding; and
 - Statutory lodgements were up to date, however payment of the October 2023 BAS remained outstanding, with the Company entering a payment plan with the ATO on 16 January 2024.
- Additionally, we have reviewed the Company's aged payables for the period September 2023 to December 2023, which are set out in the table below.

Aged Payable Summary						
Month \$'000s	Current	30 days	60 days	90 days	120 days	Total
Sep-23	(265,256)	(902,071)	(947,780)	(51,061)	(818,731)	(2,984,900)
Oct-23	(226,642)	(643,090)	(781,042)	(523,553)	(351,299)	(2,525,626)
Nov-23	(257,628)	(504,616)	(955,919)	(738,576)	(700,425)	(3,157,165)
Dec-23	(257,765)	(355,908)	(482,809)	(960,850)	(1,198,160)	(3,255,492)

Source: Accounts Payable Ledgers for Sep-23 to Dec-23

- In analysing this position, we have removed the related party payable positions to reflect the external trade creditor amounts due across these months, as set out below.

Aged Payable Summary - Adjusted (excl. related parties)						
Month \$'000s	Current	30 days	60 days	90 days	120 days	Total
Sep-23	5,413	(137,003)	(14,691)	38,988	(132,569)	(239,863)
Oct-23	(227,574)	680	(15,975)	(70,512)	(25,087)	(338,468)
Nov-23	(256,969)	(21,923)	26,401	26,491	(21,173)	(247,173)
Dec-23	(257,765)	(235,417)	(117)	21,471	(3,612)	(475,441)

Source: Accounts Payable Ledgers for Sep-23 to Dec-23

- We note the following in relation to the adjusted aged payables summary:
 - Debts overdue more than 120 days were elevated in September 2023, although we understand this was an anomaly due to incorrect accounting treatment of a provision for BAS Liabilities.
 - The adjusted trade payable position is skewed by supplier rebates recorded in the payables ledger, resulting in positive figures at various points in time across various months.
 - Whilst there were some third party debts greater than 90 days overdue in September, this position had been corrected in October and in November and December there were minimal third party debts more than 30 days overdue.
 - Whilst total trade payables increased in December 2023, almost all of those debts were less than 30 days overdue.
- The above total trade payables position supports the position that whilst the Company had insufficient liquidity to repay its related party debts, it was maintaining its third party creditors largely within terms.

Audit opinion

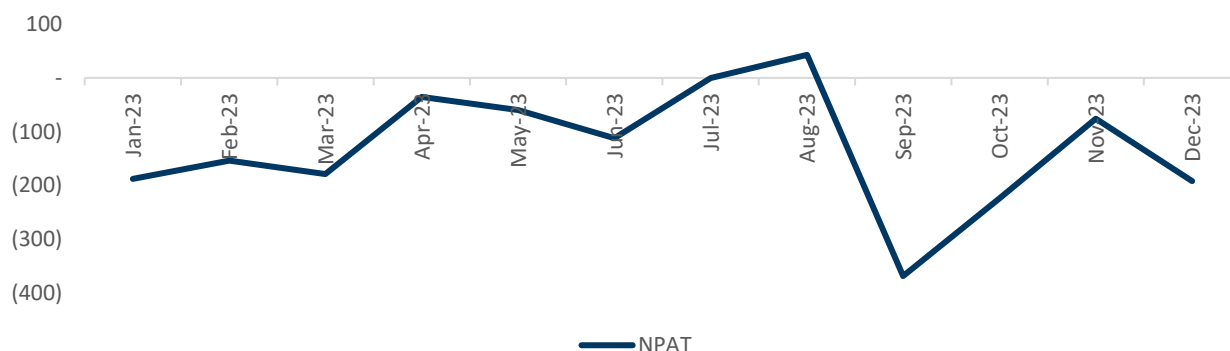
- The audit opinion provided in relation to the financial report for the year ended 31 December 2022 expressed material uncertainty in relation to the solvency of the Company and the ability to continue as a going concern. Whilst Davex Malaysia provided a commitment that it would not call for repayment of any payables from the Company for at least 12 months from the date of approval of the financial statements if such a payment would cause the Company to become insolvent, the report noted that ongoing support was dependent on the Company achieving its forecast operating cash flows.

Ongoing losses

- The accumulated trading losses are displayed below, with the exception of August 2023 where the Company recorded positive NPAT.

Net Profit after Tax (CY22-CY23)

\$'000s



Source: Management accounts for CY23.

- In summary, the cash flow test does not conclusively prove that the Company was insolvent prior to our appointment. Whilst the Company had been consistently loss making, its third party creditors as at 31 December 2023 were largely within terms, because its losses has largely been funded by the deferral of payment of outstanding trade and loan liabilities to Davex Malaysia, which is consistent with the Statement of Support.

11.3.4. Date of insolvency - conclusion

- Our preliminary view is that the Company may have been insolvent just prior to our appointment, or potentially from early November 2023. Further work would be required by a liquidator to firm up the actual date of insolvent.
- The reasons for this assessment are as follows:
 - As at 31 December 2023 the Company's third party creditors were largely within terms.
 - The matter that instigated the Company's solvency and liquidity issues appears to have been Westpac's correspondence of 7 November 2023 indicating the impending withdrawal of the BFA in the absence of the provision of an SBLC by Davex Malaysia. This effectively meant that the Company would require a replacement source of funding (in the region of approximately \$1.6m) in order to repay Westpac, in circumstances where it remained loss making and therefore not cashflow positive.
 - In November 2023, the Company had the support of Davex Malaysia pursuant to the Statement of Support. The commitments under the Statement of Support extended until 27 July 2024. However, it is possible Davex Malaysia may not have been in a position to provide support if the Company had not met its CY23 forecasts.
- It is therefore likely that the date of insolvency would be closely linked to:
 - The point in time that Davex Malaysia made the decision not to provide further support to the Company; and / or
 - The point in time that Davex Malaysia became incapable of providing further financial support to the Company (if that occurred prior to the date at which Davex Malaysia made the decision not to provide further support).

- Whilst it is possible the Company was insolvent prior to early November 2023 given its extensive history of generating losses, any such assertion would likely be countered by the fact that its third party creditors were kept largely within terms, there were no material unpaid wages on appointment, statutory lodgements were up to date and its only statutory arrears was the October 2023 BAS, which was the subject of an agreed payment plan with the ATO.
- We also note it is unlikely a liquidator would pursue a claim for insolvent trading is limited because:
 - The limited quantum of outstanding third party creditors as at the appointment date (approximately \$500,000) likely caps the claim at that amount (and in reality any claim is likely to be much lower), which would likely make it uneconomic to pursue; and
 - On the basis the directors had taken safe harbour advice from November 2023, it is possible they would have a valid defence to any insolvent trading claim, thereby avoiding personal liability.

11.4. Potential claim against Davex Malaysia

- We have identified potential further claims which relate to the Statement of Support. The Statement of Support, which was effective for 12 months from the date the audited accounts were signed on 27 July 2023, included a commitment that Davex Malaysia would not call for repayment of any amounts owing where it would impede the Company's ability to meet its obligations.
- In the period between the CY2022 audited accounts being signed (and the Statement of Support taking effect) and the appointment date, the Company made payments totalling \$1.26m to Davex Malaysia.

Date	Payment Amount
10-Nov-23	100,000.00
25-Oct-23	20,000.00
05-Oct-23	50,000.00
04-Oct-23	90,000.00
15-Sep-23	100,000.00
15-Sep-23	150,000.00
24-Aug-23	170,000.00
07-Aug-23	100,000.00
27-Jul-23	80,000.00
Total	860,000.00

- Our preliminary view is there are possibly two (2) categories of potential claims against Davex Malaysia:
 - A claim the payments above were in breach of the Statement of Support; and
 - A claim Davex Malaysia is required to contribute further funds to the Company given it is now insolvent and cannot meet its debts.
- We note we have not sighted the Statement of Support that is referred to in the CY22 audited accounts, which were signed by the Company's directors on 27 July 2023.

f) Going concern

This financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

At 31 December 2022 the Company had cash and cash equivalents of \$633,421 (2021: \$944,438), net current liabilities of \$1,116,854 (2021: net current assets of \$770,547) and recorded a net loss of \$1,823,173 (2021: \$2,442,721). The Company incurred net cash outflows for the year of \$311,017 (2021: \$75,981).

In the opinion of the Directors, the going concern basis of preparation remains appropriate because of the matters set out below:

- The Company has funding available through a facility with its bank which has not been fully utilised (refer Note 20) and is forecasting to generate positive operating cash flows in the coming financial year; and
- Davex Malaysia Sdn Bhd ("the Parent") has provided a commitment to the Directors that it and other related entities under common control of the Parent will not call for repayment of any payables from Davex Australia Pty Ltd for a period of at least 12 months from the date of approval of the financial statements if such a payment would cause Davex Australia Pty Ltd to become unable to meet its obligations as and when they fall due, as well as pledged to provide financial support in the form of cash funding to the Company in the event that it is required.

While the Directors have the commitment of financial support from the Parent, the Parent's ability to provide sufficient financial support is dependent on the Company achieving its forecast operating cash flows for the 2023 financial year. As a result, there is material uncertainty that may cast doubt on the Group's ability to continue as a going concern. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Source: CY22 audited accounts

- Significant further work would be required to determine whether the Company has causes of action against Davex Malaysia in connection with the Statement of Support, including taking legal advice on the relevant documents. A liquidator, if appointed, could consider this matter further.

12. Appendix 4 – Creditor Information Sheet

Creditor Information Sheet

Offences, Recoverable Transactions and Insolvent Trading



Offences

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

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

Recoverable Transactions

Preferences

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

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

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

Creditor-defeating disposition

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

Uncommercial Transaction

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

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

Unfair Loan

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

Arrangements to avoid employee entitlements

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

Unreasonable payments to directors

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

Voidable charges

Certain charges over company property are voidable by a liquidator:

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

Insolvent trading

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

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

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

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

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

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

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

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

Queries about the external administration should be directed to the insolvency practitioner's office.

13. Appendix 5 – Remuneration Approval Report

15 February 2024



Davex Australia Pty Ltd (Administrators
Appointed) (“the Company”) Trading as
Davis Lighting
ACN 052 491 657

Remuneration Approval Report

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1. Summary

This remuneration approval report provides you with the information that the Corporations Act 2001 (**Act**) and the Code of Professional Practice published by the Australian Restructuring Insolvency and Turnaround Association (**ARITA**) requires creditors to receive to make an informed decision regarding the approval of our remuneration for undertaking the Voluntary Administration of Davex Australia Pty Ltd (Administrators Appointed ACN 052 491 657 (**the Company**)).

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

Appointment type	Period	Remuneration (excl GST) (\$)	Disbursements (excl GST) (\$)
Voluntary Administration	Resolution 1: 18 January to 11 February 2024	379,685.00	392.06
Voluntary Administration	Resolution 2: 12 February 2024 to finalisation of the Voluntary Administration	170,315.00	500.00
Total – Voluntary Administration		550,000.00	892.06
Liquidation	Resolution 4: Commencement to Finalisation of Liquidation	250,000.00	500.00
Total remuneration and disbursement approval sought (Voluntary Administration and Liquidation)		800,000.00	1,392.06

Although the work was necessarily incurred to ensure the completeness of all material matters in the voluntary administration, the total costs incurred are above our initial expectation. The total cost of the voluntary administrations has increased from our initial estimate due to the following:

- **Trade-on management:** Additional time spent liaising with related entities in relation to inventory in transit and finalisation of other trading matters.
- **Sale of Business:** Due to the number of interested parties and various non-binding indicative offers received, addition time was required to review and consider offers and finalise the asset sale agreement.
- **Investigations:** Additional tasks associated with the finalization of our investigations, including:
 - An extensive review into the company's books and records;
 - Correspondence with the Company in relation to its accounting practices; and
 - Preparing voidable transactions memorandum and workbook
- **General case management:** Due to the complex nature of the voluntary administration, a greater degree of oversight of the file strategy and controls were required to ensure progression of all material matters.

2. Declaration

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

3. Remuneration sought

Details of our remuneration sought are set out in the following table:

For	Period	Amount \$ (excl GST)	Applicable rates	Timing of payment
Work already completed	18 January 2024 to 11 February 2024	379,685.00	As per the attached hourly rates at Schedule D	When funds are available
Future work to finalisation of the Voluntary Administration	12 February 2024 to finalisation of the Voluntary Administration	170,315.00	As per the attached hourly rates at Schedule D	When funds are available
Voluntary Administration Total		550,000.00		
Future work to the end of the liquidation	Commencement to Finalisation of Liquidation	250,000.00	As per the attached hourly rates at Schedule D	When funds are available and subject to entering liquidation
Liquidation Total		250,000.00		

Details of the work already done and future work that we intend to do are enclosed at **Schedule A**. **Schedule B** includes a breakdown of time spent by staff members on each major task for work we have already done.

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

4. Disbursements

We are not required to seek creditor approval for costs paid to third parties or where we are recovering a cost incurred on behalf of the administration, but we must provide details to creditors. We are however required to obtain creditors' consent for the payment of a disbursement where we, or a related entity, may directly or indirectly obtain a profit (none of which have been incurred in this matter).

For more information about disbursements, please refer to the Initial Remuneration Notice dated 22 January 2024.

The table below provides a breakdown of the external at cost disbursements incurred in the Voluntary Administration for the period 18 January 2024 to 11 February 2024.

Disbursement Claimed	Basis of Charge	Amount \$ (excl GST)
Media	At cost	0
Data room costs	At cost	1,988.75
Postage	At Cost	983.05
Staff travel – Accommodation, Flights, Taxis	At Cost	47.91
Advertising	At Cost	3,261.33
Search Fees	At Cost	375.31
Voluntary Administration Total		7,048.41

We are required to obtain creditors' consent for the payment of a disbursement where we, or a related entity, may directly or indirectly obtain a profit.

For more information about disbursements please refer to the initial Remuneration Notice within our Initial Circular to Creditors issued 22 January 2024.

The below table provides details of the internal disbursements for creditor approval:

Disbursement Claimed	Basis of Charge	Period	Amount \$ (excl GST)
Mileage	ATO prescribed cents per kilometre rate for 2023-24	18 January 2024 to 11 February 2024	392.06
Mileage	ATO prescribed cents per kilometre rate for 2023-24	12 February 2024 to finalisation of the Voluntary Administration	500.00
Mileage	ATO prescribed cents per kilometre rate for 2023-24	Commencement to Finalisation of Liquidation	500.00

5. Likely impact on dividends

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

The estimated dividend is subject to the outcome of the second meeting of creditors, realisation of assets, the remuneration of the external administrators as determined by creditors and the quantum of claims admissible. Please refer to section 7.1 of our Administrators Report to creditors pursuant to section 75-225 of the Insolvency Practice Rules for further detail.

6. Summary of receipts and payments

A summary of the receipts and payments for the Administration as at 11 February 2024 is enclosed at section 7.2 of the Report to Creditors.

7. Queries

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

You can also access information which may assist you on the following websites:

ARITA at www.arita.com.au/creditors

ASIC at www.asic.gov.au (search for INFO 85).

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

Yours faithfully



David McGrath
Joint and Several Administrator

Schedule A – Details of work

Task area/General description	Work already done	Future work in Voluntary Administration	Future work in Liquidation
Period	18 January 2024 to 11 February 2024	12 February 2024 to finalisation of the Voluntary Administration	Commencement to finalisation of Liquidation
Assets	\$97,494 (163.4 hrs)	\$51,095 (97.1 hrs)	\$102,500 (118.8 hours)
Sale of business as a going concern	Developed a strategy and timeline for the sale process Compiled a list of likely interested parties based on previous campaigns conducted, our own understanding of the industry and the market more generally Liaised with interested parties and maintenance of data room and interested party register Advertised the business for sale in the Australian Financial Review Prepared a range of sale materials, including an investment flyer and virtual data room Prepared illustrative delay cost model Engaged with numerous interested parties, including facilitating their due diligence activities where appropriate Internal meetings to discuss sale process considerations and strategy Collated information obtained from the Company for input into data room Reviewed sale information and documentation	Negotiation and agreement of ASA and ancillary documents Negotiating brand licence agreement with Davex Malaysia Finalisation and execution of the ASA Attending to Completion of the transaction Attending and overseeing stocktake to be undertaken mediately prior to completion Facilitating the handover of Company information including IT system access, physical files etc	Attend to post-completion requirements pursuant to the ASA Attend to other postcompletion issues and transition arrangements Ongoing discussions with the Purchaser to facilitate the transfer of Company assets, records and information

Task area/General description	Work already done	Future work in Voluntary Administration	Future work in Liquidation
Period	18 January 2024 to 11 February 2024	12 February 2024 to finalisation of the Voluntary Administration	Commencement to finalisation of Liquidation
	Continued to trade the business to maximise recovered from receivables and inventory to all a potential going concern sale Reviewed non-binding offers from interested parties Reviewed NDAs Reviewed other sale documentation Organised and attended site with interested parties Attended interested parties offices for the purposes of asset sale discussion Reviewed and marked up sale transaction documentation and ancillary documents		
Cash and bank Accounts	Notified major banks of appointment Correspondence with the Westpac regarding access to pre-appointment and post appointment funds	Dealing with pre-appointment receivables paid into the pre-appointment bank account and recovering funds where possible	Dealing with pre-appointment receivables paid into the pre-appointment bank account and recovering funds where possible
Plant & equipment	Reviewing asset listings Engaged a third party to conduct valuation of all PPE held by the Company	Facilitating transfer of plant & equipment to the Purchaser Dealing with any leased equipment not required by the Purchaser Realising and residual assets not acquired by the Purchaser	Dealing with any leased equipment not required by the Purchaser Realising and residual assets not acquired by the Purchaser
Assets subject to specific charges	Conducting PPSR, motor vehicle and other searches Issued notices to secured parties	Resolving PPSR registrations as required pursuant to the ASA Liaising with the PPSR creditors during trade	Liaising with the PPSR creditors in respect of any assets not acquired by the Purchaser

Task area/General description	Work already done	Future work in Voluntary Administration	Future work in Liquidation
Period	18 January 2024 to 11 February 2024	12 February 2024 to finalisation of the Voluntary Administration	Commencement to finalisation of Liquidation
	Liaising with the PPSR creditors during trade Resolving PPSR registrations as required pursuant to the ASA		
Inventory	Reviewing inventory values Engaged third party to conduct a valuation of the inventory Liaising with Company staff regarding existence and sale to existing customers Attending to inventory on the water and in transit Dealing with ownership of inventory ordered prior to, but received after, the Appointment Date Considerable correspondence with Company staff and freight providers concerning goods in transit.	Attendance at stock count required pursuant to the ASA Verification of stock count and corresponding purchase price required to be paid under the ASA Liaising with Company staff regarding existence and sale to existing customers. Considerable correspondence with Company staff, the Purchaser and freight providers concerning goods in transit.	Attending to any transitional requirements in respect of inventory post ASA completion
Other assets	Tasks associated with realising other assets Reviewing and assessing trade receivables Formulating a strategy for collection of receivables Liaising with Company staff regarding the pursuit and collection of receivables	Tasks associated with realising other assets Liaising with Company staff regarding the pursuit and collection of receivables	Liaising with the Purchaser and Company staff regarding the pursuit and collection of receivables Reviewing regular reporting on receivables collections required to be provided by the Purchaser pursuant to the ASA Formulating strategies for the collection of any doubtful debts Commencing legal or other recovery steps in relation to overdue receivables
Leased assets	Reviewing leasing documents for leased premises Liaising with various landlords regarding the leased premises Reviewing leasing agreements for leased assets	Liaising with landlords regarding occupation of the leased premises by the Purchaser Liaising with owners/lessors	Liaising with landlords regarding occupation of the leased premises by the Purchaser Liaising with owners/lessors Tasks associated with disclaiming leases

Task area/General description	Work already done	Future work in Voluntary Administration	Future work in Liquidation
Period	18 January 2024 to 11 February 2024	12 February 2024 to finalisation of the Voluntary Administration	Commencement to finalisation of Liquidation
Creditors	\$57,087 (135 hrs)	\$51,095 (97.1 hrs)	\$37,500 (71.3 hrs)
Creditor enquiries, requests and directions	Receive and respond to creditor enquiries via telephone and email Maintaining creditor request log Review and prepare initial correspondence to creditors and their representatives Considering reasonableness of creditor requests Maintain company creditor listing and updates as required	Receive and respond to creditor enquiries Maintaining creditor request log Considering reasonableness of creditor requests Compiling information requested by creditors	Receive and respond to creditor enquiries Maintaining creditor request log Considering reasonableness of creditor requests Documenting reasons for complying or not complying with requests or directions Compiling information requested by creditors
Secured creditor reporting	Notifying PPSR registered creditors of appointment Responding to secured creditor's queries	Responding to secured creditor's queries Regular reporting to Westpac Provision of update on sale process to Westpac to facilitate consent to the transaction	Responding to secured creditor's queries Regular reporting to Westpac Providing information in respect of the proposed sale transaction in connection with seeking Westpac's consent as required under the ASA
Creditor reports	Preparing and issuing initial circular to creditors dated 22 January 2024 Preparing Voluntary Administrators' report dated 15 February 2024, investigation, meeting and general reports to creditors Correspond with creditors regarding virtual meeting procedure and registration requirements	Preparing Voluntary Administrators' report dated 15 February 2024, investigation, meeting and general reports to creditors	Preparing Statutory Report, investigation, meeting and general reports to creditors Distribute the above to creditors
Dealing with proofs of debt	Receipting and filing POD when not related to a dividend Maintaining a POD register Corresponding with creditors in relation to POD when not related to dividend	Receipting and filing POD when not related to a dividend	Receipting and filing POD when not related to a dividend Corresponding with OSR and ATO regarding POD when not related to a dividend

Task area/General description	Work already done	Future work in Voluntary Administration	Future work in Liquidation
Period	18 January 2024 to 11 February 2024	12 February 2024 to finalisation of the Voluntary Administration	Commencement to finalisation of Liquidation
	Corresponding with OSR and ATO regarding POD when not related to a dividend		Corresponding with creditors in relation to POD when not related to dividend
Meeting of Creditors	Preparation of meeting notices, proxies and advertisements Receiving and collating proxy responses Forward notice of meeting to all known creditors via email and post Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation and lodgement of minutes of meetings with ASIC	Preparation of meeting notices, proxies and advertisements Prepare for and hold second meeting of creditors Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting.	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation and lodgement of minutes of meetings with ASIC Responding to stakeholder queries and questions immediately following meeting
Employees	\$14,299 (26.3 hrs)	\$8,516 (16.2 hours)	\$12,500 (23.8 hrs)
Employee enquiries	Receive and follow up employee enquiries via telephone Review and prepare correspondence to creditors and their representatives via email and post Conducting townhall presentations to employees	Receive and follow up employee enquiries via telephone Review and prepare correspondence to creditors and their representatives via email and post Receive and prepare correspondence in response to employee's objections to leave entitlements Conducting townhall presentations to employees	Receive and follow up employee enquiries via telephone Maintain employee enquiry register Review and prepare correspondence to creditors and their representatives via email and post Receive and prepare correspondence in response to employee's entitlements
FEG			Correspondence with FEG Preparing notification spreadsheet Preparing FEG quotations Completing FEG questionnaires

Task area/General description	Work already done	Future work in Voluntary Administration	Future work in Liquidation
Period	18 January 2024 to 11 February 2024	12 February 2024 to finalisation of the Voluntary Administration	Commencement to finalisation of Liquidation
Calculation of entitlements	Reviewing employee files and company's books and records Reconciling superannuation accounts Reviewing awards	Reviewing employee files and company's books and records Reconciling superannuation accounts Reviewing awards	Calculating employee entitlements Facilitating transition of employees to the Purchaser Reviewing employee files and company's books and records Reviewing national employment standard entitlements
Employee dividend			Correspondence with employees regarding dividend process, where required Correspondence with ATO regarding SGC proof of debt Calculating dividend rate Preparing dividend file Advertising dividend notice Preparing distribution Receipting POD Adjudicating POD Ensuring PAYG is remitted to ATO
Workers' compensation	Review insurance policies Identification of potential issues requiring attention of insurance specialists Correspondence with insurer regarding initial and ongoing workers compensation insurance requirements Correspondence with previous brokers Preparation of Workcover wage declarations Preparation of documentation provided by insurer	Preparation of Workcover wage declarations	Correspondence with previous brokers Preparation of Workcover wage declarations Preparation of documentation provided by insurer Finalise workers' compensation matters

Task area/General description	Work already done	Future work in Voluntary Administration	Future work in Liquidation
Period	18 January 2024 to 11 February 2024	12 February 2024 to finalisation of the Voluntary Administration	Commencement to finalisation of Liquidation
Trade On	\$176,125 (331.8 hrs)	\$42,579 (80.9 hrs)	\$10,000 (95.0 hrs)
Trade on management	Liaising with suppliers Preparing and maintaining the Administration cashflow forecast Negotiating commercial necessity payments with critical suppliers Liaising with management and staff on an appropriate cadence Attendance on site Authorising purchase orders Maintaining purchase order registry Preparing and authorising receipt vouchers Preparing and authorising payment vouchers Liaising with superannuation funds regarding contributions, termination of employees' employment Internal discussions regarding suppliers and supply status Maintained critical trading operations	Liaising with suppliers Preparing and maintaining the Administration cashflow forecast Negotiating commercial necessity payments with critical suppliers Liaising with management and staff on an appropriate cadence Attendance on site Authorising purchase orders Maintaining purchase order registry Preparing and authorising receipt vouchers Preparing and authorising payment vouchers Liaising with superannuation funds regarding contributions, termination of employees' employment Liaising with OSR regarding payroll tax issues Internal discussions regarding suppliers and supply status	Preparing and authorising receipt vouchers Preparing and authorising payment vouchers Liaising with superannuation funds regarding contributions, in relation to transfer and / or termination of employees' employment Liaising with OSR regarding payroll tax issues Finalising all trade on related matters
Budgeting and financial reporting	Reviewing company's budgets and financial statements Prepare cash flow forecasts Consider the funding requirements Finalising trading profit or loss	Prepare cash flow forecasts Finalising trading profit or loss Meetings to discuss trading position	Reporting for wind down activities Finalising trading accounts

Task area/General description	Work already done	Future work in Voluntary Administration	Future work in Liquidation
Period	18 January 2024 to 11 February 2024	12 February 2024 to finalisation of the Voluntary Administration	Commencement to finalisation of Liquidation
	Meetings to discuss trading position Internal discussions regarding funding		
Investigations	\$9,541 (12.5 hrs)	\$8,516 (16.2 hrs)	\$25,000 (47.5 hrs)
Conducting investigation	Collection of company books and records Various discussions held with management Prepare Request for Information (RFI) to obtain additional books and records from the company Reviewing company's books and records, including board packs Review and preparation of company's nature and history Conducting and summarising statutory searches Preparation of unfair preference claim investigations Preparation of date of insolvency investigations Preparation of comparative financial statements Preparation of estimated statement of position Review of specific transactions and liaising with directors regarding certain transactions Liaising with directors regarding certain transactions Liaising with company management regarding books and records Preparation of investigation file Lodgement of investigation with ASIC Analysis of historical financial statements	Reviewing company's books and records including board packs Finalising investigations for inclusion in second report to creditors	Reviewing company's books and records Review and preparation of company's nature and history Conducting and summarising statutory searches Preparation of deficiency statement Review of specific transactions and liaising with directors regarding certain transactions Further review of Davex Malaysia Statement of Support including obtaining legal advice Liaising with directors regarding certain transactions Preparation of investigation file Lodgement of investigation with the ASIC Preparation and lodgement of supplementary report if required

Task area/General description	Work already done	Future work in Voluntary Administration	Future work in Liquidation
Period	18 January 2024 to 11 February 2024	12 February 2024 to finalisation of the Voluntary Administration	Commencement to finalisation of Liquidation
	Formed and reported preliminary review on existence of voidable transactions.		
ASIC reporting	Liaising with ASIC Preparation and lodgement of various ASIC forms	Preparation and lodgement of various ASIC forms	Preparing statutory investigation reports Preparation and lodgement of various ASIC forms Liaising with ASIC
Dividend	Nil	Nil	\$50,000 (95.0 hrs)
Processing proofs of debt (POD)			Preparation of correspondence to potential creditors inviting lodgement of POD Receipt of POD Maintain POD register Adjudicating POD Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication
Dividend procedures			Preparation of correspondence to creditors advising of intention to declare dividend Advertisement of intention to declare dividend Obtain clearance from ATO to allow distribution of company's assets Preparation of dividend calculation Preparation of correspondence to creditors announcing declaration of dividend Advertise announcement of dividend Preparation of distribution Preparation of dividend file

Task area/General description	Work already done	Future work in Voluntary Administration	Future work in Liquidation
Period	18 January 2024 to 11 February 2024	12 February 2024 to finalisation of the Voluntary Administration	Commencement to finalisation of Liquidation
			Preparation of payment vouchers to pay dividend Preparation of correspondence to creditors enclosing payment of dividend
Administration	\$25,141 (52.6 hrs)	\$8,516 (16.2 hrs)	\$12,500 (23.8 hrs)
Correspondence	Issue of day one notifications and correspondence with various parties including creditors, suppliers, employees, and customers Responding to queries and phone calls with various parties Prepare and issue ROCAP letter General correspondence with various parties	General correspondence with various parties	General correspondence with various parties
Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists Internal management and team meetings	Filing of documents File reviews Updating checklists First month administration review Internal management and team meetings	Filing of documents File reviews Updating checklists
Insurance	Identification of potential issues requiring attention of insurance specialists Correspondence with Arthur J Gallagher regarding initial and ongoing insurance requirements Reviewing insurance policies Correspondence with previous brokers, Risk Partners Review correspondence and documentation received from insurer	Identification of potential issues requiring attention of insurance specialists Correspondence with insurer regarding initial and ongoing insurance requirements Reviewing insurance policies Correspondence with previous brokers Finalising insurance matters related to trade on	Finalising insurance matters related to trade on

Task area/General description	Work already done	Future work in Voluntary Administration	Future work in Liquidation
Period	18 January 2024 to 11 February 2024	12 February 2024 to finalisation of the Voluntary Administration	Commencement to finalisation of Liquidation
Funds handling	Preparing correspondence opening and closing accounts Set up of company in accounting system Entering receipts and payments into accounting system Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers	Entering receipts and payments into accounting system Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers	Preparing correspondence opening and closing accounts Entering receipts and payments into accounting system Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
ASIC Forms and lodgements	Preparing and lodging ASIC forms Correspondence with ASIC regarding statutory forms	Preparing and lodging ASIC forms Correspondence with ASIC regarding statutory forms	Preparing and lodging ASIC forms Correspondence with ASIC regarding statutory forms
ATO and other statutory reporting	Notification of appointment Preparing BAS Completing STP reporting obligations	Preparing BAS Completing STP reporting obligations	Notification of appointment Preparing BAS Completing STP reporting obligations
Finalisation			Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists Finalising WIP
Planning / Review	Discussions regarding status of administration	Discussions regarding status of administration	Discussions regarding status of liquidation
Books and records	Dealing with electronic records	Dealing with electronic records	Dealing with electronic records

Schedule B – Time spent by staff on each major task

The below table sets out work performed by other professional services provided by the firm for the period 18 January 2024 to 11 February 2024:

Employee	Position	\$ /hour	Total Hours	Total \$	Task Area											
					Assets		Creditors		Employees		Trade on		Investigation		Admin	
					Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
David McGrath	Senior Managing Director	780	64.1	49,998	20.6	16,068	17.9	13,962	-	-	12.6	9,828	11.1	8,658	1.9	1,482
Kelly Trenfield	Senior Managing Director	780	28.9	22,542	1.9	1,482	2.1	1,638	1.6	1,248	17.2	13,416	-	-	6.1	4,758
Renee Lobb	Managing Director	675	145.1	97,943	27.7	18,698	7.0	4,725	13.7	9,248	83.4	56,295	0.9	608	12.4	8,370
Alexa Sutherland	Director	550	108.1	59,455	-	-	0.4	220	-	-	106.4	58,520	0.5	275	0.8	440
Jack McGrath	Director	550	109.4	60,170	108.4	59,620	-	-	0.5	275	-	-	-	-	0.5	275
Henry Banton	Associate	340	48.7	16,558	0.5	170	48.2	16,388	-	-	-	-	-	-	-	-
Beau Lyndon	Associate	340	100.5	34,170	-	-	2.4	816	1.2	408	81.3	27,642	-	-	15.6	5,304
Grace Patterson	Associate	340	81.0	27,540	4.2	1,428	54.4	18,496	8.6	2,924	13.8	4,692	-	-	-	-
Donn Ricardo Culalic	Associate	340	2.2	748	-	-	1.9	646	-	-	-	-	-	-	0.3	102
Rajdeep Singh	Associate	340	15.2	5,168	-	-	-	-	-	-	15.2	5,168	-	-	-	-
Alexander Phillis	Treasury	315	1.5	473	-	-	-	-	-	-	0.6	189	-	-	0.9	284
Robyn Hardeman	Treasury	315	2.8	882	-	-	-	-	-	-	-	-	-	-	2.8	882
Janine Wigham	Treasury	315	0.6	189	-	-	-	-	-	-	-	-	-	-	0.6	189
Jennifer Doran	Treasury	315	1.4	441	-	-	-	-	-	-	-	-	-	-	1.4	441
Georgette Chadraoui	Treasury	315	0.6	189	-	-	-	-	-	-	0.3	95	-	-	0.3	95
Ashleigh Ubank	Administration 2	280	9.8	2,744	0.1	28	0.7	196	0.7	196	1.0	280	-	-	7.3	2,044
Joanne Davis	Administration 2	280	1.7	476	-	-	-	-	-	-	-	-	-	-	1.7	476
Total (ex GST)			721.60	379,685.00	163.4	97,494	135.0	57,087	26.3	14,299	331.8	176,125	12.5	9,541	52.6	25,141
GST				37,969												
Total (Incl GST)				417,654												
Avg hourly rate (ex GST)				526		597		423		544		531		763		478

Schedule C – Resolutions

Resolution 1 – Voluntary Administrators' remuneration

18 January 2024 to 11 February 2024

"That the remuneration of the Voluntary Administrators of Davex Australia Pty Ltd (Administrators Appointed) ACN 052 491 657 and their staff, for the period 18 January 2024 to 11 February 2024, calculated at the hours spent at the rates detailed in the Initial Remuneration Notice dated 22 January 2024 provided to creditors, is approved for payment in the amount of \$379,685.00, exclusive of GST, to be drawn from available funds immediately or as funds become available."

Resolution 2 – Voluntary Administrators' internal disbursements

18 January 2024 to 11 February 2024

"The internal disbursements of the Voluntary Administrators of Davex Australia Pty Ltd (Administrators Appointed) ACN 052 491 657 and their staff, for the period 18 January 2024 to 11 February 2024, is approved for payment in the amount of \$392.06, exclusive of GST, to be drawn from available funds immediately or as funds become available."

Resolution 3 – Voluntary Administrators' remuneration

12 February 2024 to finalisation of the Voluntary Administration

"That the future remuneration of the Voluntary Administrators of Davex Australia Pty Ltd (Administrators Appointed) ACN 052 491 657 and their staff, for the period from 12 February 2024 to the finalisation of the Voluntary Administration, is determined at a sum equal to the cost of time spent by the Voluntary Administrators and their staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 22 January 2024 provided to creditors, up to a capped amount of \$170,315.00, exclusive of GST, and that the Voluntary Administrators can draw the remuneration from available funds as time is incurred on a monthly basis or as funds become available."

Resolution 4 – Voluntary Administrators' internal disbursements

12 February 2024 to finalisation of the Voluntary Administration

"The future internal disbursements of the Voluntary Administrators of Davex Australia Pty Ltd (Administrators Appointed) ACN 052 491 657 and their staff, for the period 12 February 2024 to the finalisation of the Voluntary Administration, is approved up to the capped amount of \$500.00 exclusive of GST, to be drawn from available funds immediately or as funds become available."

Resolution 5 – Liquidators' remuneration

Commencement of Liquidation to finalisation of the Liquidation

"That the future remuneration of the Liquidators of Davex Australia Pty Ltd (Administrators Appointed) ACN 052 491 657 and their staff, for the period from the commencement of the Liquidation to the finalisation of the Liquidation (inclusive), determined at a sum equal to the cost of time spent by the Liquidators' and their staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 22 January 2024 provided to creditors, up to a capped amount of \$250,000.00, exclusive of GST, and that the Liquidators can draw the remuneration from available funds as time is incurred on a monthly basis or as funds become available."

Resolution 6 – Liquidators' internal disbursements**12 February 2024 to finalisation of the Voluntary Administration**

"The future internal disbursements of the Liquidators of Davex Australia Pty Ltd (Administrators Appointed) ACN 052 491 657 and their staff, for the period from the commencement of the Liquidation to the finalisation of the Liquidation (inclusive), is approved up to the capped amount of \$500.00 exclusive of GST, to be drawn from available funds immediately or as funds become available."

Schedule D – FTI Consulting discounted schedule of rates

Typical classification	Standard Rates \$/hour	General guide to classifications
Senior Managing Director	780	Registered Liquidator and/or Trustee or corporate advisory professional, with specialist skills and experience in all forms of insolvency engagements, turnaround scenarios and restructures. Proven leadership experience in business or industry, bringing specialist expertise and knowledge to the engagement.
Managing Director	675	Broad specialist skills brought to the engagement. Extensive experience in managing large, complex engagements at a senior level over many years. May also be a Registered Liquidator and/or Trustee or has extensive leadership/senior management experience in business or industry.
Senior Director	600	Strong technical and commercial skill with significant experience in managing all types of large, complex engagements. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Director	550	Significant experience across all types of engagements. Strong technical and commercial skills. Has primary conduct of small to medium engagements, managing a team of professionals. Alternatively, has senior management experience in business or industry, with specialist skills and/or qualifications.
Senior Consultant	485	Typically studying to become or qualified to be a professional member of the Australian Restructuring Insolvency & Turnaround Association. Well developed technical and commercial skills. Has experience in large and complex engagements and may have primary conduct of small engagements, supervising a small team of professionals.
Consultant	390	Typically studying to become or qualified chartered accountant and member of Chartered Accountants Australia & New Zealand (or similar). Required to control the tasks on small engagements or responsible for select aspects on medium to large-sized engagements under supervision of senior staff.
Associate	340	Typically a degree qualified accountant, who assists with day-to-day tasks under the supervision of senior staff.
Treasury	315	Typically, qualified accountant and/or bookkeeper. Undertakes treasury activities and is skilled in bookkeeping and funds handling activities.
Junior Associate	260	Undergraduate in the latter stage of their university degree.
Administration 2	280	Well developed administrative skills with significant experience supporting professional staff, including superior knowledge of software packages, personal assistance work and/or office management.
Administration 1	220	Has appropriate skills and experience to support professional staff in an administrative capacity.

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

14. Appendix 6 – Meeting documentation

NOTICE OF SECOND MEETING OF CREDITORS
DAVEX AUSTRALIA PTY LTD (ADMINISTRATORS APPOINTED)
ACN 052 491 657 ("THE COMPANY")

On 18 January 2024, the Company, under section 439A of the Corporations Act, appointed David McGrath, of FTI Consulting, Level 22, Gateway, 1 Macquarie Place, SYDNEY NSW 2000, and Benjamin Campbell and Kelly-Anne Trenfield, Level 20, 345 Queen Street, BRISBANE QLD 4000, as Joint and Several Administrators of the Company.

Notice is now given that the second meeting of creditors of the Company will be held at **10:00AM AEST on Friday, 23 February 2024.**

The meeting is being held virtually and all creditors wanting to attend the meeting are required to attend via the link provided. Although there is no physical place where creditors are able to attend the meeting, I am required under law to nominate a notional place for the meeting for administrative purposes such as establishing the time of the meeting. The notional place for this meeting is FTI Consulting, Level 20, 345 Queen Street, BRISBANE QLD 4000. **PLEASE DO NOT ATTEND THIS LOCATION.**

If you wish to attend the meeting, you must register at the below link and return the below forms on or before **2:00PM AEST on Thursday, 22 February 2024** to Davex@fticonsulting.com:

- Meeting registration link: <https://forms.office.com/r/t1rn9n5KPA>
- Proof of debt form; and
- Proxy form (if required).

Once you have registered, a link to the meetings will be sent to you via email.

Please note your name will be visible to other attendees and within meeting documents we prepare and lodge with the Australian and Securities Investments Commission ("ASIC").

AGENDA

The purpose of the meeting is:

1. to review the report of the Administrators and their recommendation in connection with the business, property, affairs and financial circumstances of the Company; and
2. for the creditors of the Company to resolve on whether:
 - that the Company execute a deed of company arrangement; or
 - that the administration should end; or
 - that the Company be wound up.

Creditors are able to request the second meetings of creditors be adjourned for a period not exceeding forty-five (45) business days.

1. For the creditors of the Company to vote on the remuneration to be paid to the Voluntary Administrators, as calculated on a time basis for the periods:
 - 18 January 2024 to 11 February 2024; and
 - 12 February 2024 to the finalisation of the Voluntary Administration.
2. If the Company is placed into liquidation, for creditors of the Company to vote on the remuneration to be paid to the Liquidators and to consider the appointment of a Committee of Inspection and if required, to determine the members of the committee;
3. If the Company is placed into liquidation, to consider the destruction of books and records; and
4. Any other business properly brought before the meeting.

If you choose to post your proof of debt and proxy forms, please ensure they are sent with sufficient time to arrive by the due date. We encourage creditors to send their forms by email to Davex@fticonsulting.com where possible.

Dated: 15 February 2024



David McGrath

Joint and Several Administrator

FORM - APPOINTMENT OF PROXY
DAVEX AUSTRALIA PTY LTD (ADMINISTRATORS APPOINTED)
ACN 052 491 657 ("THE COMPANY")

I/We _____ (name of signatory)
of _____ (creditor name)
a creditor of the Company, appoint _____ (name of proxy)
of _____ (address of proxy)
or in his/her absence _____ (details of alternate proxy)

as my/our ☐ general proxy or ☐ special proxy to vote at the meeting of creditors to be held on **Friday, 23 February 2024 at 10:00AM (AEST)** or at any adjournment of that meeting.

Voting instructions - for special proxy only	For	Against	Abstain
Resolution			
1. Future of the Company (only vote for one of the below)			
a) The Company be wound up	☐	☐	☐
b) The Administration should end	☐	☐	☐
2. Voluntary Administrators' Remuneration and Disbursements			
"That the remuneration of the Voluntary Administrators of Davex Australia Pty Ltd (Administrators Appointed) ACN 052 491 657 and their staff, for the period 18 January 2024 to 11 February 2024, calculated at the hours spent at the rates detailed in the Initial Remuneration Notice dated 22 January 2024 provided to creditors, is approved for payment in the amount of \$379,685.00, exclusive of GST, to be drawn from available funds immediately or as funds become available."	☐	☐	☐
"The internal disbursements of the Voluntary Administrators of Davex Australia Pty Ltd (Administrators Appointed) ACN 052 491 657 and their staff, for the period 18 January 2024 to 11 February 2024, is approved for payment in the amount of \$392.06, exclusive of GST, to be drawn from available funds immediately or as funds become available."	☐	☐	☐
"That the future remuneration of the Voluntary Administrators of Davex Australia Pty Ltd (Administrators Appointed) ACN 052 491 657 and their staff, for the period from 12 February 2024 to the finalisation of the Voluntary Administration, is determined at a sum equal to the cost of time spent by the Voluntary Administrators and their staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 22 January 2024 provided to creditors, up to a capped amount of \$170,315.00, exclusive of GST, and that the Voluntary Administrators can draw the remuneration from available funds as time is incurred on a monthly basis or as funds become available."	☐	☐	☐

<u>Voting instructions - for special proxy only</u>	For	Against	Abstain
<i>"The future internal disbursements of the Voluntary Administrators of Davex Australia Pty Ltd (Administrators Appointed) ACN 052 491 657 and their staff, for the period 12 February 2024 to the finalisation of the Voluntary Administration, is approved up to the capped amount of \$500.00 exclusive of GST, to be drawn from available funds immediately or as funds become available."</i>	☐	☐	☐
3. Liquidators' Remuneration and Disbursements			
<i>"That the future remuneration of the Liquidators of Davex Australia Pty Ltd (Administrators Appointed) ACN 052 491 657 and their staff, for the period from the commencement of the Liquidation to the finalisation of the Liquidation (inclusive), determined at a sum equal to the cost of time spent by the Liquidators' and their staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 22 January 2024 provided to creditors, up to a capped amount of \$250,000.00, exclusive of GST, and that the Liquidators can draw the remuneration from available funds as time is incurred on a monthly basis or as funds become available."</i>	☐	☐	☐
<i>"The future internal disbursements of the Liquidators of Davex Australia Pty Ltd (Administrators Appointed) ACN 052 491 657 and their staff, for the period from the commencement of the Liquidation to the finalisation of the Liquidation (inclusive), is approved up to the capped amount of \$500.00 exclusive of GST, to be drawn from available funds immediately or as funds become available."</i>	☐	☐	☐
4. Committee of Inspection			
<i>If the company is wound up, to consider the appointment of a committee of inspection, and if so, who are to be the committee members.</i>	☐	☐	☐
5. Destruction of Books and Records			
<i>Should Liquidators be appointed, that the Liquidators are authorised to destroy the Company's books and records upon finalisation of the liquidation, and subject to obtaining consent from the Australian Securities and Investments Commission.</i>	☐	☐	☐

*I/*We authorise *my/*our proxy to vote as a general proxy on resolutions other than those specified above (delete if not required)

Dated:

.....
Name and signature of authorised person

.....
Name and signature of authorised person

CERTIFICATE OF WITNESS – only complete if the person given the proxy is blind or incapable of writing.

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.

Dated:

Signature of witness:

Description:

Place of residence:

GUIDANCE AND INSTRUCTIONS

FORM OF PROXY

A person can appoint another person to attend the meeting on their behalf by completing the Form of proxy.

If the member is a company or a firm, a person needs to be appointed to represent the company.

This representative needs to be appointed by completing the Form of proxy in accordance with section 127 of the Corporations Act. Alternatively, the appointed person must be authorised to act as a representative for the company per section 250D of the Corporations Act.

The Form of proxy is valid only for the meeting indicated (or any adjournment).

You may appoint either a general proxy (a person who may vote at their discretion on motions at the meeting) or a special proxy (who must vote according to your directions). If you appoint a special proxy, you should indicate on the form what directions you have given. In many instances, there will be a box or section on the proxy form where you can mark how you want your proxy to vote for you.

If you are unable to attend the meeting and you do not have a representative who can attend on your behalf, you may if you wish, appoint any person, including the Chairperson of the Meeting, as either your general or special proxy.

FORM 535 – FORMAL PROOF OF DEBT OR CLAIM

DAVEX AUSTRALIA PTY LTD (ADMINISTRATORS APPOINTED) ACN 052 491 657
("THE COMPANY") TRADING AS DAVIS LIGHTING

To the Administrator of Davex Australia Pty Ltd (Administrators Appointed) ACN 052 491 657 ("the Company")

1. This is to state that the Company was on 18 January 2024, and still is, justly and truly indebted to:.....

.....

(full name, ABN and address of the creditor and, if applicable, the creditor's partners)

for \$ (dollars and cents)

Particulars of the debt are:

Date	Consideration	Amount (\$/c)	Remarks
	(state how the debt arose)		(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
------	--------	----------	---------------	----------

3. Signed by (select correct option):

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

Signature: Dated:

Name: Occupation:

Address:

* If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor

RECEIVE REPORTS BY EMAIL	YES	NO
Do you wish to receive all future reports and correspondence from our office via email?	☐	☐
Email:		

If being used for the purpose of voting at a meeting:

- a) Is the debt you are claiming assigned to you? ☐ Yes ☐ No
- b) If yes, attach written evidence of the debt, the assignment and consideration given. ☐ Attached
- c) If yes, what value of consideration did you give for the assignment (eg, what amount did you pay for the debt?) \$
- d) If yes, are you a related party creditor of the Company? ☐ Yes ☐ No
(If you are unsure contact the Administrator)