

17 November 2022



**Waikiki Private Hospital Pty Ltd
(Administrators Appointed)
ACN 164 463 521 (“the Company”)**

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

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1. About this report: a guide for creditors

1.1. Purpose of this report

- We are required to prepare this report under the *Corporations Act 2001* (Cth) (“**the Act**”) 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 **Thursday, 24 November 2022** and our opinion and recommendation about the future of the Company and what is considered to be in the creditors’ interests. Creditors are required to decide whether:
 - the Company should execute a DOCA, or
 - the administration of the Company should end, or
 - the Company should be wound up.
- Alternatively, creditors can vote to adjourn the meeting for up to 45 business days to allow more time to make their decision.
- All details, forms and instructions relating to the meeting have been included with the covering letter and other documents attached to this report.

1.2. Key messages and recommendations

- Daniel Woodhouse and Ian Francis were appointed as Voluntary Administrators of the Company on 21 October 2022.
- Our preliminary investigations indicate that the Company may have traded whilst insolvent and entered into a range of antecedent transactions, with **the Company appearing at this preliminary stage to have been insolvent from at least 18 December 2020** (and likely earlier).
- A DOCA has been proposed and is summarised at section 7.4.
- **In our opinion, it is in the creditors’ best interests to accept the DOCA proposed by Clanay.**
- Pages 4 to 8 summarise the items considered to be the most important for creditors.

1.3. Questions and help

Please contact Conor Robson on (08) 6430 1345 or at conor.robson@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:

FTI Consulting
Level 47, Central Park
152-158 St. Georges Terrace
PERTH WA 6000

2. Key messages

2.1. Overview of administration strategy

Administrators' Strategy and Major Actions

Strategy & Trading	Continued to trade the Company on a business-as-usual basis in pursuit of a sale or recapitalisation of the business.	Secured funding from Clanay to support trading and provide the business with immediate term certainty.	Engaged with Management, staff and other stakeholders to minimise risk and implement controls over trading.	Liaised with critical suppliers to stabilise trading arrangements and ensure ongoing supply.	Conducted a campaign to sell the business or recapitalise the Company, and engaged with numerous interested parties.
Statutory Matters & Investigations	Attended to all required statutory obligations and requirements.	Undertook investigations into the performance and position of the Company leading up to our appointment.	Formed a preliminary view on the existence of voidable transactions and other potential claims or breaches of the Act.	Formed a preliminary opinion on the date of insolvency and events leading up to insolvency.	Assessed the existence and recoverability of loans to and from related parties.
Stakeholders	- Circular and correspondence to 192 creditors and suppliers. - Prepared for and attended the first meeting of creditors.	Ongoing engagement with LARU in relation to continuing trade and the accreditation of the Hospital.	Regular engagement with Clanay in relation to the funding provided and the proposed recapitalisation of the Company.	Calculated and liaised with over 90 employees and former employees regarding outstanding entitlements and continued trading.	Prepared 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 of the remainder of the report including the terms of reference contained in **Appendix 1** and any other attachments.

Key areas	Commentary	Analysis
Explanations for the Company's difficulties	Our investigations have identified the following reasons for the Company's failure: ■ Trading difficulties through the COVID-19 pandemic, where the performing of elective surgery was heavily restricted; ■ The discontinuation of COVID-19 subsidies in FY21, whilst the pandemic was still having a significant impact on the Hospital's trading operations; ■ Working capital difficulties, resulting in strained relationships with key suppliers and other stakeholders; ■ The cancellation of its Hospital licence by LARU, on grounds of insolvency; and ■ Leakage of cash to related parties.	Section 4.6
Administrators' actions and strategy	Our actions and strategy for the administration to date has been to: ■ Establish an in-depth understanding of the business, stabilise operations and continued to trade the "business-as-usual"; ■ Ensure clear and consistent communication with key stakeholders, including Management, Regulators, the Landlord and employees regarding the ongoing trade of the business and sale/recapitalisation campaign; ■ Engage in a campaign in relation to the sale of the business or recapitalisation of the Company; and ■ Liaise with Clanay in relation to the submission of a Deed of Company Arrangement proposal that may be acceptable to creditors.	Section 5.1
Estimated date of insolvency	Our preliminary view is that the Company was likely insolvent from at least 18 December 2020 (and likely earlier) and remained so up until the time of our appointment on 21 October 2022.	Section 6.2
Voidable transactions and offences	We consider there may be transactions that a liquidator could pursue which might result in property or money being recovered for the benefit of creditors. These include unfair preferences to c. 8 creditors valued at \$1.05 million, and a range of director related payments which are still being investigated.	Section 6.3

Offences by director	Based on our investigations to date, we consider it likely that the Director may have contravened sections 180, 181 and 182 of the Corporations Act 2001 as a result of payments made to related parties during the period prior to our appointment. Further investigations will be required of a liquidator (if appointed) to determine what action, if any, is warranted. We also consider that the Director may have allowed the Company to trade whilst insolvent, constituting a breach of section 588G of the Act (discussed below).	Section 6.3.3												
Liability for insolvent trading	Based on the estimated date of insolvency, the potential claim for insolvent trading may be in the order of approximately \$968k. At this time, it is unclear as to the capacity of the Director to meet a successful insolvent trading claim. Further investigations would be required of a liquidator (if appointed) to determine the commercial merits of any claim.	Section 6.2.4												
Proposal for a deed of company arrangement	A proposal for a DOCA has been received from Clanay. The DOCA provides for: ■ The transfer of shares in the Company to Clanay; ■ The establishment of a Creditor's Trust to deal with creditor claims; ■ A return to unsecured creditors of between 2.5 and 100 cents in the dollar, depending on the category of creditor; and ■ The ongoing employment of the majority of the workforce and continued trade for the business. It is the Administrator's recommendation that the DOCA proposal be approved by creditors.	Section 7												
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: <table> <tr> <th>Creditor</th><th>Liquidation</th><th>DOCA</th></tr> <tr> <td>Secured Creditors¹</td><td>n/a</td><td>n/a</td></tr> <tr> <td>Priority Employee Claims</td><td>0 to 100 cents in the dollar</td><td>100 cents in the dollar</td></tr> <tr> <td>Unsecured Creditors</td><td>No return</td><td>2.5 to 100 cents in the dollar</td></tr> </table> 1. Assumes secured creditors will be dealt with by DOCA Proponent separately. In Liquidation, those with security over specific assets have the option to take possession of those items and realise independently. Alternatively, they may allow the Liquidator (if appointed) to realise those assets. The key factors and variables impacting the estimated return to creditors in the liquidation scenarios include the:	Creditor	Liquidation	DOCA	Secured Creditors ¹	n/a	n/a	Priority Employee Claims	0 to 100 cents in the dollar	100 cents in the dollar	Unsecured Creditors	No return	2.5 to 100 cents in the dollar	Section 7
Creditor	Liquidation	DOCA												
Secured Creditors ¹	n/a	n/a												
Priority Employee Claims	0 to 100 cents in the dollar	100 cents in the dollar												
Unsecured Creditors	No return	2.5 to 100 cents in the dollar												

	■ Recoverability of pre-appointment debtors; ■ Financial outcome of trading during the Administration; ■ ATO's assessment of the Company's outstanding superannuation owing; ■ The recovery of voidable transaction and insolvent trading claims; and ■ The cost associated with their recovery.													
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> <th>Creditor</th><th>Liquidation</th><th>DOCA</th></tr> <tr> <td>Secured Creditors</td><td>3 months</td><td>N/A</td></tr> <tr> <td>Priority Employee Claims</td><td>3 months</td><td>3 months</td></tr> <tr> <td>Unsecured Creditors</td><td>12+ months</td><td>3-6 months</td></tr> </table> The key factors and variables impacting the timing of dividends include: ■ In a liquidation scenario, the length of time required to: — Realise the Company's plant and equipment; — Investigate the extent of superannuation outstanding; and — Investigate and prosecute any voidable transaction and insolvent trading claims. ■ In a DOCA scenario, the length of time required to address the various conditions precedent, including the granting of the required licences by LARU and negotiations with the Landlord.	Creditor	Liquidation	DOCA	Secured Creditors	3 months	N/A	Priority Employee Claims	3 months	3 months	Unsecured Creditors	12+ months	3-6 months	Section 8.6
Creditor	Liquidation	DOCA												
Secured Creditors	3 months	N/A												
Priority Employee Claims	3 months	3 months												
Unsecured Creditors	12+ months	3-6 months												
Remuneration	Under s 449E of the Act, the remuneration of the Administrators (and either the Deed Administrators or Liquidators, if appointed) can be fixed at the second meeting of creditors. Details of our proposed remuneration and resolutions are included in our Remuneration Approval Report.	Appendix 6												

3. Recommendation on the Company's future

In our opinion it is in the creditors' interests that the Company execute a deed of company arrangement in line with the terms proposed. Details about the estimated return to creditors and other information about what creditors can decide at the meeting are provided at sections 8 and 9 of this report.

Options available to creditors	Option 1: Execute a DOCA	Option 2: Administration 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	On balance, there appears to be less uncertainty under the DOCA proposal compared to a liquidation scenario It is likely that unsecured creditors will receive a greater return under the DOCA proposal than they would if the Company was immediately wound up and within an earlier timeframe than liquidation	The Company is insolvent with no cash to pay all due debts and no confirmed prospects of obtaining external funding	The proposed DOCA will likely provide a higher cents in the dollar return for unsecured creditors than they may receive in an immediate winding up Liquidation is not expected to provide any return for unsecured creditors.
Our opinion	Is in the creditors' interests that the Company execute a DOCA in line with the terms proposed	Not in the creditors' interests that the administration should end	Not in the creditors' interests that the Company be wound up
Recommendation	Recommended	Not recommended	Not recommended
Potential to adjourn the meeting to a future date	Either the Administrators, or creditors, may wish to adjourn the second meeting for up to 45 business days to allow time for the DOCA proposal to be further developed by Clanay. It is a matter for creditors to decide if they wish to adjourn the meeting. However, we note that adjourning the meeting may trigger a liability to repay the funding provided by Clanay, which with interest, fees and costs would total approximately \$626k.		

4. Background information

4.1. Appointment of Administrators

- On 21 October 2022, Ian Francis and I, Daniel Woodhouse, were appointed joint and several Administrators (“**Administrators**”) of Waikiki Private Hospital (Administrators Appointed) 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 2 November 2022 to consider the formation of a committee of inspection and whether or not to appoint different persons to be the Administrators of the Company.
- No committee 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 is provided at **Appendix 5**, as provided with our first circular to creditors and referred to at the first creditors’ meeting.
- 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 on 25 June 2013 and operates an independent acute surgical and medical facility (“**Hospital**”) located 45 kilometres south of Perth’s CBD.
- The Hospital has 45 inpatient beds, two fully equipped theatres, an open access endoscopy unit, and on-site specialist consulting suites that provide an extensive range of clinical specialties and services.
- At the time of our appointment, the Company employed approximately 90 people.

- The Company's revenue is primarily generated from surgical procedures, with General Surgery, Gastroenterology/Hepatology, Gynaecology and Ophthalmology procedures generating 72% of the Company's FY22 revenue.
- Our initial observations of the operations of the Company are:
 - Approximately 30 physicians consult via the Hospital, however 48% of the Company's revenue is attributable to surgical procedures performed by a group of five doctors;
 - This revenue is then collected primarily from a range of health insurers, with a small co-payment / insurance excess made by the patient. As at the date of our appointment, there were a total of 35 debtors indebted to the Company totalling \$869,144;
 - Other than debtors, the Company's assets primarily consist of stock on hand, related party loans and property, plant and equipment; and
 - Creditors comprise primarily of trade suppliers, employees and statutory liabilities.

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

The Director of the Company has not provided any reasons or explanations to us to indicate what caused the current circumstances faced by the Company.

From our investigations to date, we have identified the following possible causes for the Company's failure:

- The ongoing impact to trade as a result of the COVID-19 pandemic;
- LARU's investigation and subsequent cancellation of the Company's licence to operate the hospital;
- The extent of payments to related parties; and
- Weaknesses in the Company's internal controls, particularly in relation to the finance and reporting functions.

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;
- discussed the Company's finance function, processes and record keeping practices with 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 s 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

On our appointment we elected to continue to operate “business as usual” whilst progressing the following key strategies and actions:

5.1.1. Trading

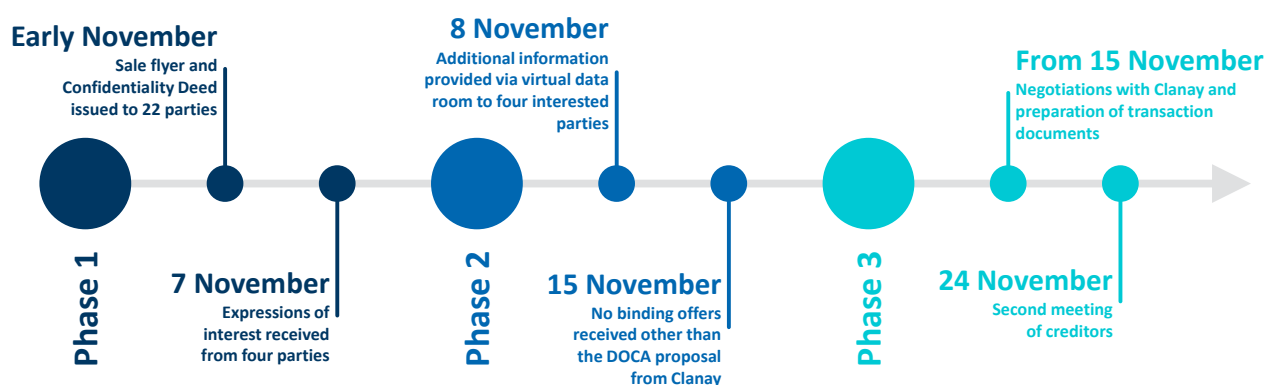
- Continued to operate the business on a “business-as-usual” basis to assess options available for either a sale or recapitalisation. Details of the Transaction Process is provided in section 5.2.
- Notified all suppliers and applicable statutory bodies of our appointment.
- Secured interim funding and support from Clanay to continue trading and to undertake the Transaction Process.
- Opened new accounts with the Company’s suppliers as required for ongoing trade during the voluntary administration.
- Setup trading protocols and a purchase order system with the Company’s procurement and accounts payable staff.
- Communicated extensively with the Company’s suppliers (and internal procurement staff) concerning supply, orders and account balances.
- Engaged with our insurance broker to secure ongoing cover for insurance through the voluntary administration.
- Prepared a cash flow forecast and closely monitored cash position throughout the administration.

Details of the actions undertaken to date can be found at **Appendix 8**.

5.2. Sale and recapitalisation campaign

5.2.1. Sale process and Expressions of Interest

Following our appointment, we commenced a campaign for the sale and/or recapitalisation of the Company. Below is a timeline of key milestones throughout the Transaction Process:



- On commencement of the Transaction Process, we called for expressions of interest (“EOI”) for the sale and/or recapitalisation of the Company, with EOIs due on 7 November 2022.
- We advertised the business for sale in the Australian Financial Review on Thursday 27 October 2022 and in the West Australian on Thursday 27 October 2022 and again on Saturday 29 October 2022.
- We engaged with 22 parties, providing an investment flyer and confidentiality deed. Five confidentiality deeds were entered into and four EOI’s received. All parties who submitted an EOI were provided access to a virtual data room (“VDR”) containing an information memorandum and additional information about the Company’s business and financial position.
- We undertook the following tasks up to the Binding Offer date:
 - Granted four parties access to the VDR;
 - Prepared and circulated an information memorandum;
 - Worked with the Company’s Management team to collate financial information and data for the VDR; and
 - Actively responded to queries from interested parties through the VDR.
- By 16 November 2022, the Administrators had not received any Binding Offers for either the transfer of shares in the Company or the sale of the assets of the Company, and outside of the Clanay DOCA proposal, were not expecting any compelling binding offers to be put forward in the timeframe required.

5.2.2. Clanay’s DOCA Proposal

A proposal for a DOCA has been received from Clanay and is discussed in further detail at section 7 of this report.

The key features of the proposal include:

- The Administrators will become the Deed Administrators if the DOCA is approved by creditors.
- The Company enters the DOCA whilst the required approvals are obtained and conditions precedent satisfied. Trading continues under the Deed Administrators’ control.
- Clanay to make a cash contribution of approximately \$2.86m to capitalise the Fund. Funds are held on trust by the Deed Administrators, pending satisfaction of the conditions precedent.
- Following all approvals and conditions precedent being met, the DOCA will be wholly effectuated with ownership of the shares in the Company to transfer to Clanay and a Creditors’ Trust established to satisfy creditor claims.
- Clanay’s Directors will become the Company’s Directors, which upon effectuation of the DOCA will be responsible for the ongoing trade and future of the business.
- Unsecured creditor claims will be released through the DOCA in return for the right to lodge a claim and receive a distribution in the Creditors’ Trust.
- Distributions from the Creditors’ Trust will be applied in the following order:
 - Pool A – repayment to the Trustees for any amount which they are entitled to be paid or indemnified for under section 443D of the Act, up to a capped amount of \$50,000;
 - Pool B – \$1,100,000 to Non-Continuing Employees and priority creditors in accordance with section 556(1) of the Act, to pay each of them 100 cents in the dollar;
 - Pool C – \$11,926 plus any surplus from Pool A and Pool B to the Small Key Supplier Creditors as is required to pay each of them up to 100 cents in the dollar on a pro-rata basis;

- Pool D – \$155,548 plus any surplus from Pool C to the Large Key Supplier Creditors to pay each of them up to 25 cents in the dollar on a pro rata basis;
 - Pool E – \$100,000 plus any surplus from Pool D to the Landlord to pay up to 100 cents in the dollar on a pro rata basis;
 - Pool F – \$37,500 plus any surplus from Pool E to the Penalty Creditors to pay up to 2.5 cents in the dollar on a pro rata basis; and
 - Pool G – \$109,014 plus any surplus from Pool F to the Ordinary Creditors to pay up to 5 cents in the dollar on a pro rata basis.
- Clanay will not receive a distribution under the DOCA or Creditors' Trust other than in respect of the repayment of the interim funding provided pursuant to the Loan Facility Agreement.

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 that the Director of the Company provide a statement about the Company's business, property, affairs and financial circumstances in the form of the prescribed Report on Company Activities and Property ("ROCAP").

A ROCAP is primarily comprised of two parts:

1. Part A – which details the Company's assets and liabilities; and
2. Part B – a questionnaire about the Company's history, operations, books and records.

Part A of the ROCAP is lodged with ASIC and is publicly available for viewing, whereas Part B is a confidential document for the use of the Administrators in performing their duties.

We received Part A of the ROCAP from the Company's Director which provided the book value of the Company's assets and liabilities but did not include the Director's estimate of realisable values. A summary of Part A is provided at section 0 below along with our comments.

Summary of the ROCAP Part A and Administrators' ERV as at 21 October 2022

Summary of the ROCAP Part A				
\$	Book Value	Directors' ERV	Administrators' ERV Low	Administrators' ERV High
Assets				
Cash at bank	-	Not provided	2,707	2,707
Pre-appointment trade debtors	798,629	Not provided	723,716	820,212
Related party debtors	1,860,049	Not provided	-	Unknown
Stock on hand	318,236	Not provided	-	105,193
Property, plant and equipment	910,623	Not provided	88,916	106,700
Intangible assets	114,370	Not provided	-	-
Other assets	81,590	Not provided	-	-
Total assets	4,083,497	-	815,340	1,034,811
Liabilities				
Employee entitlements	632,883	Not provided	1,644,582	672,976
Secured creditors	352,505	Not provided	352,505	352,505
Unsecured creditors	1,498,625	Not provided	1,498,625	1,498,625
Statutory liabilities	650,678	Not provided	2,956,949	650,678
Total liabilities	3,134,691	-	6,452,661	3,174,784
Net assets	948,806	-	(5,637,321)	(2,139,973)

Refer to section 0 and **Appendix 2** for our comments on the estimated realisable values.

5.3.2. Report on Company Activities and Property Part B by the director

Immediately after appointment, we requested the Director of the Company to complete a questionnaire about the Company's history, operations and books and records in the form of a ROCAP Part B.

As at the date of this report, the Director has not provided a ROCAP Part B to the Administrators. We are considering whether this constitutes a reportable breach to ASIC.

5.3.3. Related party creditors and claims

In addition to information contained in the ROCAP Part A, we reviewed the Company's records (trade creditor listings, financials statements and other available documentation and correspondence) and spoke with Company staff to determine the existence and amount of related party claims.

The following related party claims have been identified:

Related party debtors as at 30 June 2022	
Related party	\$
Westminster Day Surgery	629,266
Tony Robinson	472,427
Deborah Robinson	467,242
David Robinson	1,000
Total	1,569,935

With respect to the above, we have discussed the loan accounts receivable with the Company's Chief Financial Officer and note that:

Related party	Relationship	Details
Westminster Day Surgery ("WDS")	Related entity controlled by the Director	WDS provided endoscopy, pain management, dental, podiatry and general surgery services in Westminster, WA. Court-appointed receivers and managers were appointed to WDS's holding company, Senz Pty Ltd ("Senz"), on 19 November 2021 to realise the assets of Senz as trustee of the A&D Family Trust trading as Westminster Day Surgery. We understand the family trust held no assets and thus consider it unlikely that this debt is recoverable.
Tony Robinson	Company Director	The Company operated two bank accounts, both of which were established in the Director's name from when he operated the Hospital as a sole trader. Our review indicates that proceeds from the Company's trading were used to meet the Director's personal expenses and recorded as a loan in the Company's financial statements. We do not know whether this is recoverable.
Deborah Robinson	Director's estranged wife	We understand Ms Robinson previously had access to the Company's bank accounts, and that in the period prior to our appointment cash withdrawals were processed from the Company's bank account to Ms Robinson's personal bank account. These withdrawals were subsequently recorded as a loan in the Company's financial statements.

		We do not know whether this is recoverable.
David Robinson	Director's Son	We understand this amount represents personal expenses paid on behalf of the Director's Son and recorded as a loan in the financial statements.

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 elements:

- The Company being placed into liquidation, and
- In certain instances, a liquidator being able to establish that 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 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.

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 provided in **Appendix 3**.

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.

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:

- The Company operated at a loss in FY19 and FY21, with FY20's profit of \$921k underpinned by \$854k in one-off COVID-19 related government subsidies (of which \$400k was agreed to be repaid by 30 September 2022).
- Excluding related party receivables and payables and goodwill the recoverability of which is uncertain, the Company has had a net asset deficiency since FY21 and a current ratio of less than one since at least FY19.
- On 13 December 2019, the Hospital's former Director of Nursing contacted the WA Department of Health ("**WADOH**") Licensing and Accreditation Regulatory Unit ("**LARU**") with concerns about financial mismanagement and governance issues at the Hospital.
- WADOH advised the Company on 18 December 2020 of its intention to cancel the Company's licence to conduct a private hospital pursuant to section 26F(1)(c) of the *Private Hospitals and Health Services Act 1927* ("**PHHSA**") on grounds ostensibly related to the Company's insolvency.
- The Company's increase in revenue in FY21 and FY22 is attributable to the efforts of Management, who worked to attract new surgeons to the Hospital. However, this was offset by increased costs, particularly employee expenses.
- The Company entered into a payment plan with the WA Office of State Revenue ("**OSR**") in May 2022 to pay the Company's outstanding payroll tax liability of \$340k. The Company's running account with the OSR indicates the Company fell behind on its payroll tax obligations from 10 May 2019, when it lodged its February, March and April 2019 returns, with the running balance peaking on 30 April 2022 at \$427k. We also understand the Company was in payment arrangements with four other creditors, including the Department of Health.

6.2.2. Solvency review – indicators of insolvency

Indicia of insolvency

Indicator	FY19	FY20	FY21	FY22 Q1	FY22 Q2	FY22 Q3	FY22 Q4	FY23 Q1
Trading losses	✓	✗	✓	✗	✗	✓	✓	?
Insufficient cash flow	✓	✓	✓	✓	✓	✓	✓	✓
Difficulties in selling stock or collecting debts	✗	✗	✗	✗	✗	✗	✗	✗
Creditors paid outside terms / special arrangements	✓	✓	✓	✓	✓	✓	✓	✓
Arrears of statutory liabilities	✓	✓	✓	✓	✓	✓	✓	✓
Cheques are being returned dishonoured / payments dishonoured	✗	✗	✗	✗	✗	✗	✗	✗
Legal action threatened or commenced	✗	✗	✓	✗	✗	✗	✓	✓
Inability to obtain new or alternative funding	✗	✗	?	?	?	?	?	?
Inability to produce accurate financial information	✓	✓	✓	✓	✓	✓	✓	✓
Resignation of directors or other senior management	✗	✗	✗	✗	✗	✗	✗	✗
Qualified audit opinion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
The Company has defaulted, or is likely to default, on its agreements with its financier	?	?	?	?	?	✓	✓	✓
Finance staff raise solvency concerns	?	?	?	?	?	?	?	?
Inability to sell surplus assets	✗	✗	✗	✗	✗	✗	✗	✗
Issuing post-dated cheques	✗	✗	✗	✗	✗	✗	✗	✗

Key

Item	Symbol
Indicator present	✓
Further investigation required	?
Indicator not considered present	✗

6.2.3. Estimated date of insolvency

Our preliminary view is that the Company was likely insolvent from at least 18 December 2020 (and likely earlier) and remained so up until the time of our appointment on 21 October 2022.

The primary reasons for our views are set out below:

- The Company made trading losses in FY19 and FY21, with FY20's profit of \$921k underpinned by \$854k in one-off financial viability receipts from WADOH in return for providing the State of WA with access to the Company's staff and facilities as part of the State's COVID-19 response.
- Excluding related party receivables and payables and goodwill, the recoverability of which is uncertain, the Company had a net asset deficiency since FY21 and a current ratio of less than one since at least FY19

- The Company's running account with the OSR indicates the Company did not comply with its payroll tax obligations from 10 May 2019, when it lodged its February, March and April 2019 returns. The first payment made was for \$3,000 on 4 June 2019, with the balance at that time being \$49k. Further payments in the amount of \$3,000 and \$2,000 were made on 7 and 10 June 2019 respectively. However, the running balance did not fall below \$34k between June 2019 and its peak of \$427k on 30 April 2022.
- On 11 May 2022, the Company proposed a payment plan to the OSR to pay the Company's outstanding payroll tax liability of \$340k. The proposal was approved on 19 May 2022 with the Company to make payments of \$30k per month from June 2022 to June 2023 (inclusive) and a final payment of \$27k in July 2023. The Company appears to have defaulted on this payment plan from 7 September 2022 and as at the date of our appointment, the Company's running account balance was \$365k.
- On 13 December 2019, the Hospital's former Director of Nursing contacted LARU with concerns about financial mismanagement and governance issues at the Hospital.
- On 18 December 2020, LARU provided the Hospital with a renewed operating licence for the period 1 January 2021 to 31 December 2021. However, this was subject to a letter notifying the Company of WADOH's intention to commence a process to cancel the licence.
- An investigation between 17 December 2019 and 5 May 2021 resulted in WADOH notifying the Company on 5 May 2021 that their licence to operate a private hospital would be cancelled with effect from 3 June 2021. This decision was made on the grounds that the Company had not demonstrated evidence of sufficient material and financial resources to conduct the Hospital as required under the PHHSA.
- In February 2020, the Company obtained a business loan and revolving facility from FIFO Capital ("**FIFO Loan**") to provide working capital funding. In August 2022, as a result of the Company defaulting on the FIFO Loan, it exercised powers under its facility to take possession of the Company's accounts receivables in order to repay its facility.
- We also understand the Company had at least twice previously attempted and failed to sell the WPH business prior to 2019. Although we are not privy to the specifics of the sale processes, it is our understanding the purpose of these transactions was to alleviate the Company's liquidity issues over the medium to longer term.
- Following the financial viability payments made by WADOH in FY20 mentioned above, WADOH subsequently disputed the amounts paid to the Company and the parties entered into a without prejudice deed of settlement in February 2022, resulting in the Company agreeing to repay WADOH \$400k in two \$200k tranches on or before 30 June 2022 and 30 September 2022. We understand that \$10k of the first tranche, and \$200k of the second tranche remain outstanding at the date of our appointment.
- We are also aware of a number of instances throughout 2022 whereby the Company has needed to negotiate deferred payment arrangements with a range of critical suppliers in order to ensure critical supplies were available. Discussions with senior staff indicate that payment plans and shortening of trading terms to "cash on delivery" had become common place over several years.
- We also understand that the Company has not lodged their returns with the WA Office of State Revenue since July, and has held off from lodging same on the basis that any amounts due and payable would be immediately payable at the time of lodgement.
- Finally, according to the Company's records, compulsory superannuation contributions have not been made since March 2022 and total \$109k. The ATO's records indicate that contributions have not been made since April 2020 and that outstanding superannuation totals \$986k.

6.2.4. Preliminary view on liability for insolvent trading

From our preliminary investigations the Company appears to have become insolvent from at least 18 December 2020.

Based on our estimated date of insolvency, the potential claim for insolvent trading may be in the order of approximately \$968k.

If the Company was wound up and a liquidator appointed, further work would be performed on the solvency position of the Company to determine whether there is a benefit to creditors in pursuing the Director for insolvent trading.

Creditors should refer to **Appendix 3** and **Appendix 4** for additional information on insolvency and pursuing insolvent trading claims generally.

6.2.5. Directors' capacity to pay claims by a liquidator

We have requested the Director provide a statement of their assets and liabilities to assist in our investigations. However, this has not been received as at the date of this report.

Title and property searches using the platform Dye & Durham have been undertaken in Australian states and territories to identify any property assets held solely or jointly by the Director, the results of which will be investigated should a Liquidator be appointed.

The Director has not provided documentation outlining their individual financial position.

Based on our investigations to date, we are unable to verify if the Director would be able to meet a successful insolvent trading claim. In the event a liquidator is appointed, further investigations would be required.

We have not been provided with details of any Directors and Officers insurance policies in place.

6.3. Voidable transactions

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.

Area	Our view	Comments
Unfair preferences	Possible claims	■ We have reviewed the payments made by the Company during the period leading up to appointment, taking into account the potential date of insolvency of the Company. ■ Based on our investigations to date, we consider that there may be preferential payments to eight creditors. Further detail is provided below at 6.3.1.
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.

Area	Our view	Comments
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 and related entities	Possible claims	■ We have reviewed the payments made by the Company during the six months leading up to appointment. ■ We have requested but have not received the required records to assess payments made over the four years prior to our appointment, which can be scrutinised by a liquidator if appointed. ■ Based on our investigations to date, we consider that there may have been unreasonable payments to the Director and related entities. Further detail is provided below at 6.3.2.
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	Possible claims	■ Based on our investigations to date, it appears the Director may have breached his duties as the Company's director. Further detail is provided below at 6.3.3.

6.3.1. Unfair preferences

Unfair preference payments are defined in section 588FA as a transaction to an unsecured creditor of the company that results in the creditor receiving more than the creditor would have received from the company if the transaction were set aside and the creditor were to prove for the debt in a winding up of the company.

Section 588FA applies to payments made within six-months prior to the Administrators' appointment.

Based on our investigations, we believe that eight creditors may have received unfair preference payments totalling \$1.05m.

This estimate is preliminary only and is subject to material change pending further investigation, should a liquidator be appointed.

We also note that creditors alleged to have received unfair preference payments have a number of defences available to them, which are not considered in this analysis.

6.3.2. Unreasonable director-related transactions

Unreasonable director-related transactions are defined in section 588FDA of the Act as a transaction entered into by a director or close associate of the company, in circumstances where it may be expected that a reasonable person in the company's circumstances would not have entered into the transaction, having regard to the benefits and detriment to the company.

Section 588FDA applies to payments made within four years prior to the relation back day and it is not necessary to establish the Company was insolvent at the time of the transaction or became insolvent as a result of the transaction.

Based on our investigations, we believe the following transactions between 21 April 2022 and 21 October 2022 may be unreasonable director-related transactions that would warrant further investigation by a liquidator:

Potential unreasonable director-related transactions (21 April 2022 to 21 October 2022)		
Payee	Relation	Amount
Tony Robinson	Director	23,500
Deborah Robinson	Director's estranged wife	38,250
David Robinson	Director's Son	26,150
Naomi Robinson	To be determined	18,350
Sarah Robinson	To be determined	6,640
Total		112,890

Further investigations will also be required of a liquidator to determine what, if any additional unreasonable director-related transactions may be recoverable from the period 22 October 2018 to 20 April 2022.

6.3.3. Offences by Director

Section 533 of the Act requires a liquidator to investigate any offences that may have been committed by the directors or persons who took part in the formation, promotion, administration management or winding up of a company.

We note that while a liquidator can investigate payments up to four years prior to the appointment of administrators, the Company only acquired the business of the Hospital from the Director from 1 January 2019, despite the Company being incorporated on 25 June 2013.

Based on our preliminary investigations, we believe the following director and officer duties may have been breached and would warrant further investigation by a liquidator:

- Care and due diligence – civil obligation only (section 180 of the Act)
- Good faith – civil obligations (section 181 of the Act)
- Use of position – civil obligations (section 182 of the Act)

6.3.3.1. Section 180 – Failure to Exercise Due Care and Diligence

A liquidator would be required to consider whether *“The relevant person did not exercise the degree of care and diligence that a reasonable person would have exercised if they were a director or officer of a company in the company’s circumstances and had the same position and responsibilities as the director or officer.”*

Amongst other things, it is our view that a Liquidator would scrutinise related party payments, particularly from when the Company is deemed to have become insolvent (i.e. in our view, on 18 December 2020) and consider whether those payments would have been made by a reasonable person in the Company’s circumstances.

6.3.3.2. Section 181 – Requirement to Exercise Good Faith or Proper Purpose

A liquidator would be required to consider whether *“The relevant person exercised their powers and discharged their duties in a manner that:*

- i. was not in good faith in the best interests of the corporation; or*
- ii. was not for a proper purpose.”*

Again, we consider that a Liquidator would consider payments made to related parties critically in the context of whether those payments were (a) in the best interests of the Company and (b) for a proper purpose.

Based on our preliminary investigations, it appears there were certain transaction that may not have been in the Company’s best interests and that were in breach of section 181 of the Act.

6.3.3.3. Section 182 – Use of Position

A liquidator would be required to consider whether *“The relevant person improperly used their position to gain an advantage for themselves or someone else or cause detriment to the corporation.”*

As with the abovementioned breaches, we consider a Liquidator would investigate payments made to related parties to determine whether the Director inappropriately used his position in order to gain an advantage (a) for himself and (b) for other persons and entities related to him, to the detriment of the Company.

7. Proposal for a deed of company arrangement

7.1. What is a DOCA?

A DOCA is a formal agreement between a company, its creditors and the proponents of the DOCA.

The proponents are interested parties who wish the creditors to consider their proposal – usually involving a compromise of creditors' claims as opposed to either winding up the company (liquidation) or returning the company to its directors.

A DOCA may involve:

- Maximising the chance of the company continuing in existence; and/or
- Result in a better return for the company's creditors than in a winding up.

7.2. Proposal for a DOCA

A proposal for a DOCA has been received from Clanay.

A copy of the proposal is attached at **Appendix 7**. Creditors should read the proposal and ask us before the meeting if they have any specific queries that are not addressed in this report.

The proposal has not yet been drafted into a deed format. As a result, to help creditors we have highlighted the key features and provided our comments on the operational aspects of the DOCA proposal, based on our understanding of the proposal as presented and from discussions with its proponents.

We will report to creditors as soon as possible if additional material information is received on the DOCA proposal prior to the forthcoming creditors' meeting.

7.3. Glossary of terms

Item	Definition
Available Property	A fund of approximately \$2.86m as detailed in the definition of Minimum Fund (refer to definition within this table), which will be available upon execution of the DOCA to deliver a return to creditors in accordance with the terms of the proposal in the following order of priority: 1. Payment of any amounts owing by the Company to the Proponent under the Loan Facility Agreement; 2. An amount not exceeding \$900k to the Deed Administrators and Administrators for their remuneration, fees, expenses and liabilities; and 3. A minimum of c.\$1.56m to create a fund for the purposes of the Creditors' Trust ("Trust Fund") to be distributed in accordance with the Trust Fund.
Cash Contribution	Funding sufficient to allow the Fund (\$2.86m, outlined above) to be adequately capitalised.
Completion	The date upon which each of the conditions precedent has been satisfied or waived in accordance with the DOCA

Creditors' Trust	A trust established to hold the Fund and enable certain tasks ordinarily undertaken by the Deed Administrators (including but not limited to, the calling for and adjudication of creditors' proofs of debt) to be performed by the Trustees of the Creditors Trust to facilitate the effectuation and termination of the DOCA and allow the Company to be released from external administration and returned to the control of the New Directors. Creditors should refer to Appendix 9 for further details on the implications of utilising a Creditors' Trust.
Current Director	Anthony Robinson
Deed Administrators	Daniel Woodhouse and Ian Francis
Landlord	Ly Pty Ltd ATF Lyle Trust
Large Key Supplier Creditors	Creditors identified in Schedule 2 of the DOCA enclosed at Appendix 7 – Draft DOCA proposal
Loan Facility Agreement	A loan facility up to the value of \$750,000 in accordance with a loan agreement dated 25 October 2022 provided by Clanay to allow the Company to trade during the administration process.
Minimum Fund	A fund of a minimum amount of \$2,863,987 comprising of the following: 1. The Cash Contribution or alternatively the forgiveness of the Loan Facility Agreement funding amount; 2. The value of employee entitlements of any employees who are terminated during the administration; 3. Any net proceeds from the Deed Administrators continuing to trade the business of the Company; and 4. Such further cash amounts from the Proponent to ensure the Minimum Fund is received by the Company. The Minimum Fund may change as a result of further investigations by Clanay and the Administrators regarding the number and quantum of creditors' claims, which may in turn affect the distribution "Limits" outlined in Table A below.
New Directors	Dr Ammar Nagree, Dr Leigh Archer and Dr Cheng Yip
Ordinary Creditor	Any creditor who is not an Employee Creditor, Small Key Supplier Creditor, Large Key Supplier Creditor, Landlord or Penalty Creditor, including those identified in Schedule 3 of the DOCA enclosed at Appendix 7 – Draft DOCA proposal
Penalty Creditor	Any creditor whose claim comprises penalties for non-compliance by the Company
Proponent	Clanay Pty Ltd (" Clanay ")
Small Key Supplier Creditors	Creditors identified in Schedule 1 of the DOCA enclosed at Appendix 7 – Draft DOCA proposal
Trust Fund	The amount to be paid from the funds of the Company to a creditors trust following effectuation of the DOCA and applied in the order of priority detailed in the table in section 7.4 below.
Trustees	Daniel Woodhouse and Ian Francis

7.4. Key features of the proposal

The key features of the DOCA proposed by Clanay are as follows:

- The Administrators will become the Deed Administrators if the DOCA is approved by creditors.
- The Company enters the DOCA whilst the required approvals are obtained and conditions precedent satisfied. Trading continues under the Deed Administrators' control.
- Clanay to make the contribution required in order to capitalise the Fund, up to approximately \$2.86m. Funds are held on Trust by the Deed Administrators, pending satisfaction of the conditions precedent.
- Following all approvals and conditions precedent being met, the DOCA will be wholly effectuated with ownership of the shares in the Company to transfer to Clanay and a Creditors' Trust established to satisfy creditor claims.
- The New Directors will become the Directors of the Company, which upon effectuation of the DOCA will be responsible for the ongoing trade and future of the business.
- Unsecured creditor claims will be released through the DOCA in return for the right to lodge a claim and receive a distribution in the Creditors' Trust.
- Distributions from the Creditors' Trust will be made in the following order (which is subject to review and comment following review of the number and quantum of creditors' claims):

Table A

Pool	Limit (\$)	Limit (cents in the dollar)	Notes
Pool A	50,000	n/a	Repayment to the Trustees for any amount which they are entitled to be paid or indemnified for under section 443D of the Act
Pool B	1,100,000	100.00	Non-Continuing Employees and priority creditors in accordance with section 556(1) of the Act
Pool C	11,926	100.00	Surplus from Pool A and Pool B plus Pool Limit to the Small Key Suppliers
Pool D	155,548	25.00	Surplus from Pool C plus Pool Limit to the Large Key Supplier Creditors
Pool E	100,000	100.00	Surplus from Pool D plus Pool Limit to the Landlord
Pool F	37,500	2.50	Surplus from Pool E plus Pool Limit to the Large Key Supplier Creditors
Pool G	109,014	5.00	Surplus from Pool F plus Pool Limit to the Ordinary Creditors
Total	1,563,987		

- Clanay will not receive any distributions under the DOCA or Creditors' Trust other than in respect of the repayment of the interim funding provided pursuant to the Loan Facility Agreement.

7.4.1. Conditions precedent

The Proponent has identified the following conditions precedent to the completion of the DOCA and creation of the Creditors' Trust:

Condition Precedent	Administrators' Comment
The amount of SGC owing is less than \$1,200,000	This is currently being assessed by the ATO and not a matter which is within our control. The Company's records indicate \$109k is owing to the ATO. However, the ATO's running balance account indicates a liability of \$2.42m, comprising a superannuation shortfall, interest and fees totalling \$1.08m, and penalties and general interest of totalling \$1.34m. We will use our best endeavours to ensure the assessment conducted by the ATO is accurate and reflects all payments made by the Company prior to our appointment.
The creditors of the Company approving the proposed DOCA (or a proposal in substantially similar terms to the same) at a meeting of the Company's creditors	This is a matter for creditors, however, we note that the DOCA proposal carries our recommendation.
Execution of the DOCA by all relevant parties	We do not consider execution by the relevant parties (being Clanay and the Administrators) to be a material risk to the transaction.
The removal of the Director from the Company's board of directors and replacement with Ammar Nagree, Leigh Christopher Archer and Cheng Bee Yip (" New Directors ")	We will engage with the Director to provide for an effective transmission prior to completion. We do not foresee any issues at this stage.
Clanay having received evidence to its satisfaction that either: ■ The Company will maintain its licence to conduct a private hospital pursuant to Private Hospitals and Health Services Act 1927 (WA); or ■ The Proponent has been granted a new licence to conduct a private hospital pursuant to the Private Hospitals and Health Services Act 1927 (WA)	The maintenance of the Company's licence is a matter for the WA Department of Health. We have enquired with the proposed New Directors who have advised that their application for a new licence to conduct a private hospital has been submitted and that it is in the process of being considered by LARU. LARU have advised that it is working toward an adjudication on the licence application on an urgent basis.
Clanay entering into a variation of lease with the landlord of the premises from which the Company operates the hospital on terms acceptable to Clanay	We have enquired with the proposed New Directors regarding the status of their negotiations with the Landlord. They have advised that they have engaged with the Landlord, who is currently awaiting a rental valuation.
The Director (and any relevant entities connected to the Director) transferring certain plant and	We have held preliminary discussions with the Current Director in relation to the transfer of plant

equipment required to conduct the business of the Company (as nominated by Clanay) to Clanay	and equipment notionally held by him in his personal capacity. We do not envisage any issues with satisfaction of this condition precedent at this stage.
The Company's sole shareholder (i.e. the Director) providing written consent for the transfer of his shares to Clanay for nil consideration pursuant to s444GA(1)(b) of the Act	We do not foresee any issues with this process at this stage.
Clanay paying the Cash Contribution to the Company in accordance with the terms of the DOCA	We consider the risk of non-payment of the Cash Contribution by the Proponent to be minimal. However, at this stage, the Proponent has not provided evidence of funding.
The Creditors' Trust Deed being duly executed and the Creditors' Trust being created	The Creditors' Trust Deed is a matter within our direct control and as such the risk of non-execution is minimal.
The Deed Administrators capitalising the Creditors' Trust in accordance with the terms of the DOCA	The payment of the Trust Fund is a matter within our direct control and as such the risk of non-execution is minimal.
There being no regulatory intervention that restrains, prohibits or otherwise impedes the proposed transfer of the share in the Company to Clanay	We are not aware of any regulatory based restraints or other hurdles that will impact transaction completion.

7.4.2. DOCA implementation

Following satisfaction or waiver of the above conditions precedent:

- the Deed Administrators will facilitate the transfer 100% of the shares in the Company to the Proponent;
- the Company will be released from external administration;
- the DOCA will terminate; and
- the Participating Creditors' claims against the Company will be released and forever extinguished.

Following effectuation of the DOCA, control of the Company will revert to the New Directors and the Deed Administrators will not have any residual obligation or responsibility for the affairs of the Company.

The Creditors' Trust Deed will take then effect pursuant to the terms of the Creditors' Trust Deed:

- The Deed Administrators will transfer the Deed Fund to the trustees of the Creditors' Trust to form the Creditors' Trust Fund; and
- The DOCA will then be fully effectuated.

7.4.3. Effects of the DOCA on employees' ability to access the FEG scheme

Current and former employees should note access to the FEG scheme for any outstanding entitlements, in particular leave and redundancy, is not available in a DOCA scenario as the FEG scheme is only available if a company goes into liquidation.

Outstanding superannuation entitlements are not covered by the FEG scheme. Superannuation entitlements outstanding for the period prior to our appointment will be paid from Pool B of the Creditors' Trust Fund. Superannuation payable during the course of the voluntary administration is our liability and will be satisfied and paid no later than when due.

Continuing employees will retain their entitlements with the Company and all employee entitlements, which are due and payable in the ordinary course, will continue to be paid up until Completion.

The DOCA proposal stipulates the entitlements of non-continuing employees will also be paid from the Creditors' Trust Fund in Pool B. Continuing employees will retain their employment and their entitlements will be paid in the ordinary course (i.e. when leave is taken or following termination/resignation).

7.4.4. Termination of the DOCA

The DOCA will continue in operation until the DOCA is terminated:

- Upon its effectuation as outlined in section 7.4.2 above;
- By an order of the Court under section 445D of the Act;
- By a resolution of creditors at a meeting convened under Division 75 of Schedule 2 to the Act; or
- Automatically, if a condition precedent is not satisfied (or becomes incapable of being satisfied) or waived by the parties by the condition precedent satisfaction date of 23 December 2022 (which may be extended by up to three months by agreement between the Deed Administrators and the Proponent).

7.4.5. Return to creditors

The DOCA appears to offer a return to priority employee creditors of 100 cents in the dollar and a return to unsecured creditors of between 2.5 and 100 cents in the dollar, as is discussed in section 7.4 above.

Our estimate of the return to the creditors of the Company is discussed separately at section 8. In reviewing this information, creditors should review the detailed statement, our estimate of costs and the anticipated return compared to a liquidation scenario.

Whilst we have received some interest in the sale process conducted, we do not consider that there are any alternate proposals or offers which provide the appropriate degree of certainty as to completion.

There is no alternate DOCA proposal. Accordingly, the only other realistic option for the Company, if the present DOCA (inclusive of any further amendments) was not executed, would be for the Company to be placed into liquidation. In this situation, a return to creditors would be highly unlikely.

In forming their own views as to whether or not the DOCA proposal is in their interests, creditors should consider the following items when comparing the DOCA proposal to liquidation:

- The market for the business has been thoroughly tested, both prior to and post our appointment, and the current proposal from Clanay is considered to be the best option available to all creditors.
- Under the Clanay DOCA, the business will continue as a going concern, with the employment of the majority of the workforce preserved.
- Various unsecured creditors will gain the benefit of ongoing trade with the Company as well as the potential to receive a dividend in the Clanay DOCA.
- Based on preliminary investigations, the Clanay DOCA proposal is expected to provide a higher return to all classes of creditors than liquidation and will result in a more timely dividend to creditors of the Company than liquidation.
- The Deed Fund contribution being made by Clanay in the DOCA is not available in liquidation.

- Voidable transactions identified in our investigations are only recoverable if the Company is placed in liquidation. Please refer to section 6.3 for further details.
- Secured creditors can continue to deal with their security unless they agree to be bound by the DOCA by voting in favour of it.
- We have undertaken a review of the creditor position and the Clanay DOCA will provide a cents in the dollar return for unsecured creditors which they would not receive in a liquidation.
- The FEG scheme, operated by the Federal Government, pays certain entitlements of employees whose employment has been terminated as a result of an employer's liquidation. To be eligible for FEG, the Company must be in liquidation. There are also timing considerations between lodgement of a claim and receiving funds.
- On the other hand, the Clanay DOCA proposal provides for ongoing employment and the payment of employee entitlements in the ordinary course following cessation of employment.
- FEG does not extend to superannuation liabilities. The Clanay DOCA proposal provides for the payment of superannuation liabilities in priority to the claims of any other category of creditor.
- The terms of the Clanay DOCA do not offer any security in respect of the Contribution from the Proponent. In the event the Proponent does not make payment of the Contribution, the Clanay DOCA may be terminated and the Company will likely be placed in liquidation.
- The payment of the Contribution must occur prior to effectuation of the Clanay DOCA, prior to the Creditors' Trust becoming effective. The required timing of the payment alleviates any risk of the creditors' rights being extinguished without the terms of the Clanay DOCA being fully satisfied.
- In the event the Clanay DOCA terminates for reasons other than successful completion, we do not consider creditors will be worse off than if the Company were immediately placed in liquidation.

Based on the above, we consider the Clanay DOCA to be in the best interests of creditors.

7.4.6. Other Relevant Matters

- During the period of operation of the DOCA, the Deed Administrators will maintain control of the Company and will continue to manage the operations of the Company. The Deed Administrators will use their best endeavours to change the Director of the Company to individuals advised by the Proponent.
- During the operation of the DOCA, the moratoria in sections 440A, 440D, 440F and 444E of the Act will apply to all creditors and members of the Company.
- For claims to be admissible under the DOCA, and hence the Creditors' Trust, they must have arisen on or before the date of appointment of our appointment, being 21 October 2022.
- Upon termination of the DOCA due to the non-satisfaction of a condition precedent prior to the relevant date, Clanay will cease to be bound by the DOCA and have no liability under it. In such circumstances, the Deed Administrators would immediately call a meeting of creditors to determine the Company's future.

7.5. Expected timeline of events

If the proposed DOCA is approved by creditors at the forthcoming meeting, the following key events (in sequence) can be expected to occur:

- The DOCA will be executed by the parties subject to the deed. This is expected to occur shortly after the forthcoming meeting of creditors. At law, there is a maximum time period of 15 business days

after the meeting for the DOCA to be executed. If the DOCA was not executed within this time, the Company would be placed into liquidation.

- Clanay and the Administrators would then turn toward satisfying all conditions precedent outlined in the Clanay DOCA.
- Once all of the conditions precedent are met or waived, the Creditor's Trust will be established and the sequence of events outlined in section 7.4.2 above will be followed.
- The Company will return to solvency, under the control and ownership of Clanay.
- Under the Creditors' Trust, a dividend process (conducted in a manner consistent with the provisions of the Act) will be undertaken. This will involve creditors submitting a POD to the Trustees to substantiate their claim, the Trustees adjudicating on these claims and then paying a dividend in accordance with the terms of the Creditors' Trust.

If the conditions precedent in the Clanay DOCA have not been met or waived prior to 23 December 2022, or any such later date agreed to by the Deed Administrators and the Proponent, the DOCA will come to an end and the Deed Administrators will be required to convene a meeting of creditors to decide the future of the Company.

7.6. Purpose of a creditors' trust

7.6.1. General Information on the purpose of a creditors' trust

- A creditors' trust is a mechanism for the distribution of a fund to creditors of a company or group of companies, which accelerates a company's exit from external administration. A trust is formed for the benefit of the relevant creditors, and the trust funds (usually contributed by the proponent of the DOCA) are paid to the trust for distribution to creditors in accordance with a trust deed.
- A creditors' trust is an arrangement pursuant to the Trustees Act 1962 (WA) ("**Trustees Act**") rather than the Act.
- The DOCA proposed by Clanay requires the use of a creditors' trust. The reason for a creditors' trust structure is to accelerate the Company's exit from external administration.

7.6.2. ASIC guidelines for creditors' trusts

- In December 2018, ASIC updated Regulatory Guide 82 in respect of creditors' trusts, entitled 'External Administrations: Deeds of company arrangement involving a creditors' trust' ("**RG82**"). A copy of RG82 can be downloaded from the ASIC website at www.asic.gov.au/ or is available from our office upon request.
- Key considerations of the creditors' trust proposed by Clanay, as required pursuant to RG82, is at **Appendix 9**.

7.6.3. Rights of creditors

- The trust deed will incorporate many provisions of the Act, but creditors' rights will be governed by the Trustees Act and in equity.
- The terms of the proposed DOCA are detailed at 7.4. Creditors' rights are altered in the DOCA proposal and creditors should take this into account in assessing the merits of the DOCA proposal put forward.
- Creditors should seek their own legal advice as to the implications to them.

7.6.4. Summary of key considerations

Typically, when a creditors' trust is created:

- The company's obligations to all creditors bound by the DOCA are compromised in accordance with the DOCA (typically upon satisfaction of certain conditions);
- The deed administrators of the DOCA become the trustees and the creditors become the beneficiaries of the creditors' trust;
- The company and/or third parties promise to make one or more payments (or transfer of property) to the trustees in satisfaction of the creditors' claims against the company. In return, the creditors' claims against the company are extinguished;
- The DOCA is 'effectuated' immediately upon the creation of the creditors' trust, which usually occurs after the DOCA is executed and any conditions precedent are satisfied;
- When the DOCA is "effectuated", the company ceases to be externally administered, the directors gain full control of the company, the company is no longer required to use the notification 'subject to deed of company arrangement' on its public documents as it otherwise would be required by section 450E(2) of the Act; and
- The deed administrators (now trustees) then become solely responsible to the former creditors (now beneficiaries) for:
 - Ensuring the company and/or other third parties make their payments, transfer property and satisfy any other obligations to the trustees;
 - Determining how much each of the former creditors is entitled to receive from the trust; and
 - Making any distribution to those former creditors in their capacity as beneficiaries of the trust.

7.6.5. Termination and variation of the creditors' trust deed

The creditors' trust deed for the company will usually provide for the termination of the trust under certain conditions, such as:

- Complete distribution of the trust fund has been made in accordance with the terms of the creditors' trust deed; or
- The expiry of a perpetuity period (80 years).

The trustees may vary the creditors' trust deed by resolution passed at a meeting of creditors, but only if the variation is not materially different from the proposed variation set out in the notice of meeting.

7.6.6. Moratorium

A moratorium upon actions against the Company, as outlined in section 444E of the Act, applies during the period of the DOCA. Additionally, the creditors' trust deed will stipulate, subject to the terms of the creditors' trust deed and section 444D of the Act, creditors shall not take action or steps to enforce their rights to recover any of their entitlements whilst the trustees remain the trustees of the trust on the terms of the creditors' trust deed.

7.7. Disclosures: effect on employees

7.7.1. 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 8 includes details about the estimated return to creditors if the Company is wound up and a liquidator appointed.

Government assistance available if the Company is wound up

If there are insufficient funds available to satisfy employees' claims from the Company's property, eligible employees may be entitled to lodge a claim for their unpaid entitlements under the Federal Government's FEG scheme. FEG provides financial assistance to employees of companies in liquidation, subject to eligibility requirements being met, to pay unpaid wages, annual leave, long service leave, pay in lieu of notice ("PILN") and redundancy, up to prescribed limits. The FEG scheme does not cover unpaid superannuation.

Further information on the FEG scheme is available here: www.ag.gov.au/industrial-relations/fair-entitlements-guarantee-feg.

7.7.2. Effect on employees – DOCA

Employees should note the FEG Scheme is not available to employees where the Company executes a DOCA.

The DOCA proposal stipulates the entitlements of former employees will be paid from the Creditors' Trust Fund in Pool B. Continuing employees will retain their employment and their entitlements will be retained in full and paid in the ordinary course (e.g. when leave is taken or following termination/resignation).

Continuing employees will otherwise continue to be employed on the terms and conditions of their employment with the Company currently, subject to any negotiations that take place post establishment of the Creditor's Trust.

8. Estimated return to creditors

8.1. Administrators' estimated statement of position

Administrators' estimated statement of position

\$	Notes	DOCA Return	Liquidation Return Low	High
Non-circulating assets				
Plant & equipment subject to specific charges	1	n/a	-	-
Less BOQ Claim	1	n/a	(283,280)	(283,280)
Total plant & equipment subject to specific charges			-	-
Plant & equipment not subject to specific charges	1	n/a	88,916	106,700
Selling Costs	1	n/a	(13,337)	(16,005)
Liquidator's costs associated with sale of plant and equipment	1	n/a	(15,000)	(7,500)
Surplus/(shortfall) from non-circulating assets		-	60,579	83,195
Circulating assets				
Cash at bank at appointment	2	2,707	2,707	2,707
Pre-appointment debtors	3	820,212	723,716	820,212
Stock	4	n/a	-	105,193
Related party debtors	5	-	-	-
Total circulating assets		822,919	726,424	928,112
Proponent contribution	6	1,896,550	n/a	n/a
Trading and administration costs				
Projected trading position	7	-	(100,000)	150,000
Legal fees (<i>excluding Liquidator's Claims</i>)	8	(250,000)	(250,000)	(200,000)
Administrators' remuneration (<i>excluding Liquidator's Claims</i>)	8	(657,938)	(450,000)	(350,000)
Deed Administrators' remuneration	8	(100,000)	n/a	n/a
Creditors' Trustee remuneration	8	(50,000)	n/a	n/a
Liquidators' remuneration	8	n/a	(75,000)	(50,000)
Administrators' funding	9	(403,461)	(625,961)	(625,961)
Liquidators'/Deed Administrators' disbursements	9	(5,000)	(7,500)	(5,000)
Total trading and administration costs		(1,466,399)	(1,508,461)	(1,080,961)
Net circulating assets		1,253,070	(782,038)	(152,849)
Liquidator claims				
Voidable recoveries	10	n/a	Nil	787,500
Insolvent trading actions	11	n/a	Nil	967,730
Legal Fees - Liquidator's claims only	8	n/a	Nil	(400,000)
Liquidator's remuneration - Liquidator's claims only	8	n/a	Nil	(300,000)
Total liquidator claims		-	-	1,055,230
Available to priority creditors		1,253,070	(721,459)	985,576
Priority creditors (Pool B DOCA scenario)				
Wages and superannuation	12	(109,000)	(1,080,606)	(109,000)
Leave entitlements	12	(14,242)	(563,976)	(563,976)
Redundancy and payment in lieu of notice	12	(37,261)	(780,676)	(780,676)
Total priority claims		(160,503)	(2,425,258)	(1,453,652)
<i>Priority creditors distribution rate - Wages and superannuation (c/\$)</i>	12	100.00	-	100.00
<i>Priority creditors distribution rate - Leave entitlements (c/\$)</i>	12	100.00	-	100.00
<i>Priority creditors distribution rate - Redundancy and PILN (c/\$)</i>	12	100.00	-	40.04
Available to non-priority creditors	13	1,092,567	-	-

8.2. Notes

1. Plant & equipment

The Company's plant and equipment comprises medical and surgical equipment, kitchen and administrative equipment.

DOCA Scenario

In the DOCA scenario, any value attributed to plant and equipment is captured in Clanay's Cash Contribution.

Liquidation Scenarios

A range of equipment used in endoscopic procedures is secured to Bank of Queensland subject to three financing agreements with the Company. Our analysis suggests no equity will be available for the benefit of other creditors in a forced realisation scenario.

For the balance of equipment, we commissioned Gordon Brothers to conduct a valuation following our appointment. The valuation, dated 9 November 2022, ascribes a forced liquidation value of \$118,555 to the plant and equipment. In a high case, we have assumed 90% of this value is achieved at auction. The low case assumes 75%.

We have also allowed 15% for selling costs, representing auctioneer's fees and other costs associated with the sale. An estimate of Liquidator's fees associated with the sale has also been provided.

2. Cash at bank at appointment

The Company's bank account had a nil balance at appointment. Petty cash on hand recovered totalled \$2,707.

3. Pre-appointment debtors

At the date of our appointment, pre-appointment debtors totalled c.\$965k. We have applied a range of recovery rates in the DOCA and Liquidation scenarios to allow for doubtful debts, as summarised below:

Pre-Appointment Accounts Receivable Recovery Rates	
Scenario	%
DOCA Return	85%
Liquidation Return - Low Case	75%
Liquidation Return - High Case	85%

Taking into account the composition of the debtor book, we are confident the majority of accounts receivable will be collectable.

4. Stock

Stock primarily represents medical supplies used for surgical and in patient applications. Some kitchen and housekeeping supplies are also recorded.

As with plant and equipment, acquisition of the stock is accounted for in Clanay's Cash Contribution.

In the Liquidation scenarios, we have assumed in the high case a recovery of 20% against the stocktake conducted shortly after appointment, to account for consumption during the trading period and the likely limited market for the resale of medical supplies.

In the low case, we have assumed no recovery is available.

5. Related party debtors

Commentary regarding related party debtors is provided in section 5.3.3.

We are unable to estimate the recovery of related party debtors at this point and therefore have not provided for any recovery in any scenario.

6. Proponent contribution

Under the DOCA proposed by Clanay and detailed in section 7.4, a deed fund of approximately \$2.86m will be established, comprising residual proceeds from the Administrators' trading, the value of employee entitlements and a cash contribution from the Deed Proponent (Clanay). For the avoidance of doubt, it is intended that the total Proponent contribution to the DOCA will be limited to the return to each creditor pool under the DOCA, an estimate of which is outlined in Table A of this report (the number and quantum of creditors' claims is subject to review as outlined above).

There would not be a contribution in a liquidation scenario.

7. Projected trading position

We have considered high and low scenarios for the liquidation scenarios, and assumed a breakeven trading position in the DOCA scenario. All scenarios include forecast positions to either the completion of the transaction (under the DOCA) or cessation of trade (under a liquidation).

Under the DOCA scenario, the Deed Administrators have control and continue to operate the business through to effectuation of the DOCA and establishment of the creditor's trust, which is have assumed to be on or prior to 23 December 2022.

Under the liquidation scenario, and given the limited funding available, we have assumed the Company will cease trading shortly after the second meeting of creditors.

8. Legal fees, remuneration and disbursements

Legal fees

In a liquidation scenario, legal fees are estimated based on costs incurred to date and potential costs to pursue voidable recoveries. In the DOCA scenario, legal fees are estimated based on costs incurred to date and an allowance for finalisation of the deed and trust documentation and completion of the process pursuant to section 444GA of the Act.

Remuneration and disbursements

The estimated remuneration and disbursements of the Administrators, Deed Administrators and Creditors' Trustee are subject to the approval of creditors at the second meeting of creditors.

Under a liquidation scenario we have also considered the additional Liquidator fees likely to be incurred in pursuing voidable transactions and a potential insolvent trading claim.

Please refer to the Remuneration Approval Report contained at **Appendix 6** for further details.

9. Administrators' Funding

We have received \$400k in funding to date from Clanay to continue to operate the business and to enable sufficient time for a sale process to be conducted. This is a cost of the Administration.

A further \$350,000 is available to be drawn under the facility with Clanay. At this time, we do not envisage this funding will be required.

10. Voidable recoveries

These recoveries relate to preferential payments that are only available in the event the Company is placed in liquidation and are subject to further investigations and recovery actions. In the liquidation high return, we have assumed 75% recovery of the potential preferential payments. The low case assumes no recovery. Further details regarding voidable transactions and possible recoveries available are discussed in section 6.3 of this report.

11. Insolvent trading actions

These recoveries are only available in the event the Company is placed in liquidation and are subject to further investigations and recovery actions. Further details regarding insolvent trading actions and possible recoveries available are discussed in section 6.2.4.

12. Priority creditors

The liquidation scenario considers a cessation of trade and ultimate termination of the Company's workforce. Conversely, the DOCA scenario considers the continuation of the majority of the Company's workforce. Priority employee entitlements owed by the Company at the date of our appointment were as follows:

- Superannuation shortfall of between \$109k and \$1.08m inclusive of associated interest and administration charges, as discussed in section 12.3.5 of this report.
- Leave entitlements owed in the DOCA scenario represent leave entitlements for employees (and former employees) that have resigned or not been offered ongoing employment during the administration.
- Leave entitlements outstanding in a liquidation scenario include annual leave and long service leave currently accrued for all employees.
- Redundancy and PILN in the DOCA scenario allows for employees mentioned above who may not be offered ongoing employment post-Administration. The liquidation scenario estimates these liabilities for all staff, based on service length of current staff assuming no notice periods are served.

13. Unsecured creditor claims

Under the DOCA scenario, as at the date of this report, we estimate unsecured creditor claims will consist of:

- Pool C: Small Key Supplier Creditors is comprised of the nine creditors identified in Schedule 1 of the DOCA who will be paid a maximum of 100 cents in the dollar;
- Pool D: Large Key Supplier Creditors is comprised of the 44 creditors identified in Schedule 2 of the DOCA who will be paid a maximum of 25 cents in the dollar;
- Pool E: Landlord Creditor claims will be paid a maximum of 100 cents in the dollar;
- Pool F: Penalty Creditor claims, such as the ATO's claim for penalty amounts, will be paid a maximum of 2.5 cents in the dollar; and
- Pool G: Ordinary Creditors is comprised of approximately 60 unsecured creditors who will be paid a maximum of 5 cents in the dollar.

We note this may be subject to change after the review of the number and quantum of the creditors' claims, and will provide you with an updated estimate ahead of the creditors' meeting.

Under a liquidation scenario this represents all unsecured claims of the Company based on its records and PODs received to date.

8.3. Summary of estimated returns

Below is a summary of the estimated returns to priority creditors and unsecured creditors in the DOCA and liquidation scenarios. Estimated returns are presented on a cents in the dollar basis.

Creditor	DOCA Return	Liquidation Low Return	Liquidation High return
Priority Creditors: Wages & Superannuation	100.00	Nil	100.00
Priority Creditors: Leave Entitlements	100.00	Nil	100.00
Priority Creditors: Redundancy & PILN	100.00	Nil	40.04
Unsecured Creditors	Refer below	Nil	Nil

8.3.1. Estimated returns to unsecured creditors in DOCA scenario

Below is a summary of the estimated returns to creditors within each pool of the DOCA, as detailed in section 7.4. Estimated returns are presented on a cents in the dollar basis.

DOCA Creditor Pool	Estimated return
Pool C - Small Key Supplier Creditors	100.00
Pool D - Large Key Supplier Creditors	22.32
Pool E - Landlord	42.72
Pool F - Penalty Creditors	2.50
Pool G - Ordinary Creditors	5.00

The key factors and variables impacting the estimated return to creditors in the liquidation scenarios include the:

- Recoverability of pre-appointment debtors;
- Financial outcome of trading during the Administration;
- ATO's assessment of the Company's outstanding superannuation owing;
- The recovery of voidable transaction and insolvent trading claims; and
- The cost associated with their recovery.

8.4. Administrators receipts and payments

A summary of receipts and payments from the date of our appointment to 13 November 2022 is detailed below.

Receipts and payments for 21 October 2022 to 13 November 2022		\$
Receipts		
Accounts Receivable (Pre-appointment)	366,895.95	
Administration Funding	400,000.00	
Trading Receipts	110,953.26	
Total Receipts	877,849.21	
Payments		
Wages and Salaries	(127,395.67)	
Software & Subscriptions	(4,488.93)	
Medical Device and Consumable Costs	(99,308.63)	
Bank Charges	(301.13)	
Legal Fees	(16,287.70)	
Telephone and Utilities	(2,054.20)	
Repairs and Maintenance	(3,623.76)	
Advertising	(137.50)	
Storage	(1,814.26)	
Laundry and Linen	(9,647.84)	
Total Payments	(265,059.62)	
Net Receipts	612,789.59	

8.5. Impact of related entity claims on dividend prospects

At this stage we are not aware of any related party creditor claims and, therefore, do not consider related party claims will have any impact on dividend prospects for creditors.

8.6. 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:

Creditor	Liquidation	DOCA
Secured Creditors	3 months	N/A
Priority Employee Claims	3 months	3 months
Unsecured Creditors	12+ months	3-6 months

9. Administrators' opinion and recommendation

9.1. Opinion and recommendation to creditors

9.1.1. What creditors can decide at the meeting

At the second meeting of creditors, creditors are required to decide whether:

- The Company should execute a DOCA
- The administration of the Company should end, or
- The Company should be wound up.

Alternatively, creditors can vote to adjourn the meeting for up to 45 business days to allow more time to make their decision.

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.

9.1.2. Administrators' opinions on the options available to creditors

Execution of a deed of company arrangement

We consider that it would be in the creditors' interests for the Company to execute a DOCA on the terms propose. On balance, there appears to be less uncertainty under the DOCA proposal compared to a liquidation scenario and it is likely that creditors will receive a greater return under the DOCA proposal than they would if the Company was immediately wound up.

The Administration comes to an end

If the creditors vote for this alternative, control of the Company would revert to the Director 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

In liquidation, we do not anticipate that priority claims will be paid in full: that is, there is likely to be a shortfall on employee entitlements. Accordingly, we do not anticipate a return to unsecured creditors in liquidation. Therefore, we do not consider it would be in the creditors' interests for the Company to be wound up as the proposed DOCA will likely provide a higher cents in the dollar return for creditors than they may receive in a winding up.

Dated 17 November 2022



Daniel Woodhouse

Joint and Several Administrator

10. Appendix 1 – Glossary and terms of reference

Item	Definition
Act	Corporations Act 2001 (Cth)
Administrators	Daniel Woodhouse and Ian Francis
Administration Funding	Funding provided by Clanay to fund the administration
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office (incorporating the Deputy Commissioner of Taxation, as applicable)
CBD	Central Business District
CFO	Chief Financial Officer
Clanay	Clanay Pty Ltd
Company	Waikiki Private Hospital Pty Ltd (Administrators Appointed) ACN 164 463 521
Deed Administrators	Presumed to be Daniel Woodhouse and Ian Francis
Director	Anthony James Robinson, being the sole Director of the Company
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
EOI	Expressions of Interest
ERV	Estimated realisable value
FEG	Fair Entitlements Guarantee
FIFO Loan	A Loan provided to the Company by FIFO Capital to provide working capital.
FY19, FY20, FY21, FY22	Financial years ended/ending 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022
GST	Goods and Services Tax, as applicable in Australia
Hospital	Waikiki Private Hospital
k	Thousand (in terms of dollars)

Landlord	Ly Pty Ltd ATF Lyle Trust
m	Million (in terms of dollars)
Management	The senior officers, employees and advisors of the Company including Anthony Robinson, Aaron Gooden (the CFO) and Carine Du Plooy (the Director of Nursing).
NPAT	Net profit after tax
OSR	Western Australia's Office of State Revenue
PHHSA	Private Hospitals and Health Services Act 1927
PPSR	Personal Property Securities Register
ROCAP	Report on Company Activities and Property
SAT	Western Australia State Administrative Tribunal
VDR	Virtual Data Room
YTD	Year to date
WADOH	The WA Department of Health
WA	State of Western Australia
WDS	Westminster Day Surgery

10.1. Terms of reference

This report has been prepared for the creditors of the Company to assist them in evaluating their position as creditors and in deciding on the Company's future. None of the Administrators, FTI Consulting, nor 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 Director 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.

11. Appendix 2 – Company information

11.1. Statutory Information

Incorporation Date	25 June 2013
Registered Address	25 Marri Road, Duncraig, 6023, WA
Principal Place of Business	221 Willmott Drive, Waikiki, 6169, WA
Directors and Officers	Anthony James Robinson (Director & Secretary) Appointed on 25/06/2021
Shareholders	The Company has \$1 in paid up capital and one share on issue. Anthony James Robinson is the sole shareholder.
Related entities	N/A
Description of trading activities	Acute surgical and medical facility

11.2. Details of security interests and charges

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

Registration Number	Secured Party	Date Registered	Collateral Class
202002240028807	A.C.N. 603 303 126 PTY LTD	24/02/2020	Other Goods
202002240034763	Finance Resources Pty Ltd	24/02/2020	ALL PAAP No Except
202002240034771	Finance Resources Pty Ltd	24/02/2020	Account
202004200042784	Forum Finance Pty Limited	24/04/2020	Other Goods
202005060024239	Bank of Queensland Limited	06/05/2020	Other Goods
202005060024241	Bank of Queensland Limited	06/05/2020	Other Goods
202005060032967	Bank of Queensland Limited	06/05/2020	Other Goods
202005060032979	Bank of Queensland Limited	06/05/2020	Other Goods
202103120050596	Bank of Queensland Limited	12/03/2021	Other Goods
202103120050605	Bank of Queensland Limited	12/03/2021	Other Goods
202208260069478	Ecolab Pty Ltd	26/08/2022	Other Goods
202209190037965	De Lage Landen Pty Limited	19/09/2022	Other Goods

11.3. Historical financial information

11.3.1. Balance Sheet Summary

Waikiki Private Hospital Pty Ltd – Balance Sheet					
\$'000s	Notes	FY19	FY20	FY21	FY22
Current assets					
Cash and cash equivalents		2	2	(1)	2
GST receivable		214	489	57	44
Trade receivables	1	1,055	635	725	965
Stock on hand	2	654	526	526	526
Other current assets		0	80	50	80
Total current assets		1,926	1,733	1,357	1,617
Non-current assets					
Related party receivables	3	1,755	517	1,070	1,570
Property, plant and equipment	4	199	476	880	893
Intangible assets	5	114	114	114	114
Total non-current assets		2,069	1,108	2,064	2,577
Total assets		3,995	2,841	3,421	4,194
Current liabilities					
Overdraft	6	38	402	1,021	-
Trade payables	7	1,042	431	673	770
Equipment financing	8	-	285	391	332
Borrowings	9	-	375	266	238
Statutory liabilities	10	721	85	186	1,476
Provision for employee entitlements	11	412	582	638	585
Other current liabilities	12	5	100	75	175
Total current liabilities		2,217	2,261	3,250	3,575
Non-current liabilities					
Related party payables		2,097	68	-	-
Total non-current liabilities		2,097	68	-	-
Total liabilities		4,314	2,329	3,250	3,575
Net Assets		(319)	512	171	619

11.3.2. Balance Sheet Notes

1. Trade receivables is comprised of amounts outstanding from various health funds following patient care. At the date of our appointment, \$869k was outstanding from 35 trade debtors, aged as follows:

Aged Accounts Receivable as at 21 October 2022		
Ageing	Amount (\$)	% of Total
Current	605,373	69.7%
30 Days	27,653	3.2%
45 days	86,441	9.9%
60 days	85,429	9.8%
90 Days	30,991	3.6%
120+ Days	33,257	3.8%
Total	869,144	100.0%

2. Stock on hand primarily represents medical, surgical, housekeeping and kitchen and supplies. As at 31 October 2022, \$499k of stock was on hand, as summarised in the below table:

Stock on hand as at 31 October 2022		
Area	Items	Value (\$)
Theatre	8,603	226,674
House keeping	13,197	8,686
Endoscopic	5,000	35,744
CSSD	5,116	35,689
Kitchen	13,640	2,556
Ward	1,570	9,265
Stores	29,533	180,476
Total	76,659	499,089

We anticipate the majority of stock attracting a realisable value will have been consumed during the Administration process.

3. Related party receivables represents amounts paid to the Director and entities and individuals associated with him, as summarised in the table below:

Related party receivables as at 30 June 2022	
Party	\$
Westminster 2020	175,767
Westminster 2021	453,499
Debbie Robinson 2019	59,584
Debbie Robinson 2020	309,032
Debbie Robinson 2021	98,626
David Robinson 2020	1,000
Tony Robinson 2022	472,427
Total	1,569,935

4. Property, plant and equipment comprises medical and surgical equipment, kitchen equipment and administrative and office furniture and equipment. As discussed at section 8.2, we commissioned a valuation of the Company's plant and equipment shortly after our appointment, which is summarised below:

Summary of Plant and Equipment Valuation - November 2022		
Area	Fair Market Value (\$)	Forced Liquidation Value (\$)
Endoscopy & CSSD	156,970	30,835
Kitchen & General Hospital	117,405	21,103
Theatre and Wards	409,336	66,617
Total	683,711	118,555

5. Intangible assets comprises goodwill, to which we ascribe no commercial value.
6. The Company previously used an overdraft facility held in the Director's personal name. This facility has not been used during the administration.
7. Trade payables is comprised of amounts outstanding to various medical and operational suppliers. At the date of our appointment, \$1.04m was outstanding to 121 trade debtors, aged as follows:

Aged Payables as at 21 October		
Ageing	Amount (\$)	% of total
0-30 days	167,142	16.1%
31-60 days	224,645	21.6%
61-90 days	165,766	15.9%
91+ days	481,896	46.4%
Total	1,039,448	100.0%

8. Equipment financing is provided by the Bank of Queensland and was obtained to purchase a range of endoscopic equipment in 2020. Payout figures at the date of our appointment are as follows:

BOQ Indicative Payout Figures as at 25 October 2022	
Facility	Amount (\$)
BOQ 1	82,880
BOQ 2	82,104
BOQ 3	118,296
Total	283,280

9. Borrowings relate to amounts owing to FIFO Capital, who provided a business loan and revolving facility to fund working capital. The facility is secured against accounts receivable. At the date of our appointment, \$69,225 was owing to FIFO Capital. Our trading forecast anticipates FIFO Capital's loan will be paid out in full prior to the conclusion of the Administration.
10. Statutory liabilities are comprised of the following as at 30 June 2022. Please refer to section 12.3.5 in **Appendix 3 – Investigations – analysis and information** for further commentary on the Company's statutory liabilities. These amounts as at 30 June 2022 differ from what is recorded in section 6.2.3, section 8.2 and **Appendix 3 – Investigations – analysis and information** as those amounts represent the current liability.

Statutory liabilities at 30 June 2022	
Liability	Amount (\$)
Payroll tax payable	426,959
Superannuation payable	72,059
Withholding taxes payable	976,524
Total	1,475,542

11. The Company recorded the following provisions for employee entitlements as at 30 June 2022. Please refer to section 0 for further commentary on the Company's employee entitlements.

Provision for employee entitlements at 30 June 2022	
Entitlement	Amount (\$)
Annual leave	278,762
Long-service leave	424,074
Total	702,836

12. Other current liabilities is comprised of the following:

Other current liabilities at 30 June 2022	
Liability	Amount (\$)
Workers compensation payable	59,125
Other current liabilities	115,774
Total	174,899

11.3.3. Profit and Loss Summary

Waikiki Private Hospital Pty Ltd - Profit & Loss					
\$'000s	Notes	FY19	FY20	FY21	FY22
Income					
Patient fees	1	8,709	8,309	8,710	9,875
Government subsidies	2	-	854	(95)	-
Rental income	3	398	48	-	-
Other income		42	-	-	-
Total revenue		9,150	9,211	8,615	9,875
Expenses					
Medical supplies and drugs		(2,635)	(2,110)	(2,210)	(2,765)
Employee expenses		(5,032)	(4,553)	(5,126)	(5,400)
Rental expense		(588)	(387)	(439)	(599)
Admin and other expenses		(1,239)	(1,128)	(1,006)	(884)
Depreciation		(192)	(65)	(65)	(54)
Interest		(165)	(48)	(50)	-
Total expenses		(9,850)	(8,291)	(8,895)	(9,702)
Net profit		(700)	921	(280)	173

11.3.4. Profit & Loss Notes

1. Patient fees is comprised of amounts received from patients and private health insurance funds as payment for medical services provided.
2. Government subsidies relates to Financial Viability Payments received during the COVID-19 pandemic. Please refer to section 6.2.3 for further commentary regarding these payments.
3. Rental income in FY19 and FY20 relates to income from the sub-lease of consulting rooms prior to the Director's divestment of the premises from which the Hospital operates.

12. Appendix 3 – Investigations – analysis and information

12.1. General information and considerations

12.1.1. 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.

12.1.2. 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.

12.1.3. 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.

Insolvent trading claims are typically 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.

12.2. Indicators of potential insolvency

12.2.1. Factors to take into account

We have considered the following usual indicia of insolvency in our analysis. Relevant indicia are discussed further below:

- The Company has a history of trading losses;
- The Company is experiencing cashflow difficulties;
- Creditors are not being paid on agreed trading terms and/or are either placing the company on cash-on-delivery terms or requiring special payments on existing debts before they will supply further goods and services;
- The company is not paying its federal and state taxes when due (e.g. pay-as-you-go withholdings are outstanding, goods and services tax (GST) is payable, or superannuation guarantee contributions are payable);
- Cheques are being returned dishonoured;
- Legal action is being threatened or has commenced against the company, or judgments are entered against the company, in relation to outstanding debts;
- The company has reached the limits of its funding facilities and is unable to obtain appropriate further finance to fund operations - for example, through;
 - negotiating a new limit with its current financier; or
 - refinancing or raising money from another party.
- The company is unable to produce accurate financial information on a timely basis which shows the company's trading performance and financial position or can be used to prepare reliable financial forecasts;
- Company directors have resigned, citing concerns about the financial position of the company or its ability to produce accurate financial information on the company's affairs;
- The company auditor has qualified their audit opinion on the grounds there is uncertainty the company can continue as a going concern;
- The company has defaulted, or is likely to default, on its agreements with its financier;
- Employees, or the company's bookkeeper, accountant or financial controller, have raised concerns about the company's ability to meet, and continue to meet, its financial obligations;
- It is not certain there are assets which can be sold in a relatively short period of time to provide funds to help meet debts owed, without affecting the company's ongoing ability to continue to trade profitably; and
- The company is holding back cheques for payment or issuing post-dated cheques.

Source: ASIC Regulatory Guide 217 - *Duty to prevent insolvent trading: Guide for directors*

ASIC's view is that these are some of the factors that a reasonable person would take into account when determining whether a company is insolvent. The list of factors is not intended to be exhaustive. There may be other factors that would indicate to a reasonable person that a company may be insolvent.

12.3. Date of insolvency & Supporting Material

Having considered all of the information available to us, we have determined that the Company was likely insolvent from at least 18 December 2020 onward (and possibly earlier), for reasons including:

- The Company was notified on 18 December 2020 of LARU's intention to cancel its hospital licence, meaning that it's ability to continue to trade would have been severely compromised;
- Balance sheet analysis showed the Company recorded a negative current ratio from at least 30 June 2019, including at 30 June 2020, meaning that it had insufficient liquid assets to deal with it's short term liabilities;
- Excluding the impact of government related COVID-19 subsidies, the Company had traded at a loss from at least FY19 onward, with underlying losses of \$634k being recorded for the year ended 30 June 2020;
- Whilst disputed, the ATO have formed the view that the Company's superannuation obligations were not met for the period April 2020 – March 2022;

12.3.1. Licencing Investigation

- On 13 December 2019, the Hospital's former Director of Nursing contacted LARU with concerns about financial mismanagement and governance issues at the Hospital. LARU is responsible for regulation and licensing of private hospitals and private day hospitals pursuant to the PHSA.
- On 17 December 2019, LARU conducted an unannounced licensing inspection at the Hospital, identifying various non-compliance issues and mandatory items. As a result of that inspection, LARU requested the Company provide information pertaining to its aged creditors, aged debtors, liquid assets (cash at bank), current ratio, management accounts, loans/financing (including any conditions/changes/restrictions), and cash flow forecast.
- On 23 December 2019, the Hospital's licence was renewed until 31 December 2020 subject to the provision of the aforementioned information by 10 January 2020. After a request for an extension, this information was provided on 24 January 2020. The information was reviewed by LARU's external business and financial consultants who requested further clarifications in February and March 2020. LARU did not receive a response to their request. A follow up letter to the Company was sent on 4 June 2020.
- On 19 July 2020, Dr Audrey Koay, Executive Director, Patient Safety and Clinical Quality, wrote to the Company's Director advising that due to the Company's failure to response to LARU's requests for further financial information, financial advisers from Ernst and Young ("EY") would be appointed to determine the compliance of the Company and a related entity, Westminster Day Surgery ("WDS"), with Standard 3, Criterion 3.1 of the Standards, which states *"the licence applicant or licence holder must demonstrate evidence of sufficient material and financial resources to conduct the private licenced health facility which is the subject of the application."*
- On 30 November 2020, EY provided its final combined report for the Company and WDS, which found that based on the information provided, the Company and WDS had not demonstrated evidence of sufficient material and financial resources to conduct the private licenced facilities.
- On 18 December 2020, LARU provided a copy of the renewed Licence for the period 1 January 2021 to 31 December 2021, however this renewal was subject to a letter notifying the Company of WADOH's intention to commence a process to cancel the Licence.
- On 19 February 2021, the Company's legal representatives provided responses to the notice of intention to cancel the Licence, which made a number of statements about the Company's finances but did not provide any supporting documentation. EY assessed this response and determined that their previous conclusions remained unchanged in an updated financial assessment.
- On 5 May 2021, WADOH wrote to the Company, advising of the outcome EY's assessment and that the Licence would be cancelled with effect from 3 June 2021 on the grounds that the Company had not

demonstrated evidence of sufficient material and financial resources to conduct the Hospital as required under the PHHSA.

- On 27 May 2021, the Applicant applied to the State Administrative Tribunal (“SAT”) for review of the decision to cancel the Licence pursuant to s 26H of the Act and a stay order was made by the SAT on 28 May 2021.

12.3.2. Solvency review – balance sheet test

The balance sheet test looks at whether the Company can meet all current liabilities, irrespective of when they are due and payable, from current assets. It is generally accepted a ratio of current assets to current liabilities below 1:1 is indicative of being insolvent.

Our review of the Company’s historical net asset and working capital position is based on the special purpose financial accounts.

Waikiki Private Hospital Pty Ltd - Current Ratio Analysis				
\$'000s	FY19	FY20	FY21	FY22
Net assets	(319)	512	171	372
Less related party receivables	(1,755)	(517)	(1,070)	(1,860)
Less goodwill	(114)	(114)	(114)	(114)
Add related party payables	2,097	68	-	-
Adjusted net assets	(92)	(52)	(1,013)	(1,602)
Current assets	1,926	1,733	1,357	1,637
Current liabilities	2,217	2,261	3,250	4,123
Current ratio	0.87	0.77	0.42	0.40

From the above analysis, it is apparent that for the entire period analysed above (FY19 to FY22), the Company’s current ratio was less than one, indicating the Company was unable to meet current liabilities from current assets throughout this period.

12.3.3. 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) – i.e. to assess whether the Company had been meeting its payments on time
- statutory liability position - i.e. whether the Company had been meeting its statutory liabilities
- liquidity ratios and levels or working capital to assess – i.e. whether the Company had sufficient liquidity to meet its liabilities in the short term
- EBITDA and profit and loss position – i.e. to assess the Company’s ability to generate sufficient cash to meet its obligations
- sources of funding and support by financiers or related entities – i.e. to assess whether the Company had any alternative sources of funding
- the existence of other indicia of insolvency

Continued trading losses

The Company's EBITDA from FY19 to FY22 was as follows:

EBITDA (\$'000s)	FY19	FY20	FY21	FY22
Net profit/(loss)	(700)	921	(280)	173
Add back depreciation	192	65	65	54
Add back interest	165	48	50	-
EBITDA	(343)	1,033	(165)	227

It is noted the EBITDA generated in FY20 is inflated by \$854k in government subsidies, of which \$400k was agreed to be repaid by 30 September 2022.

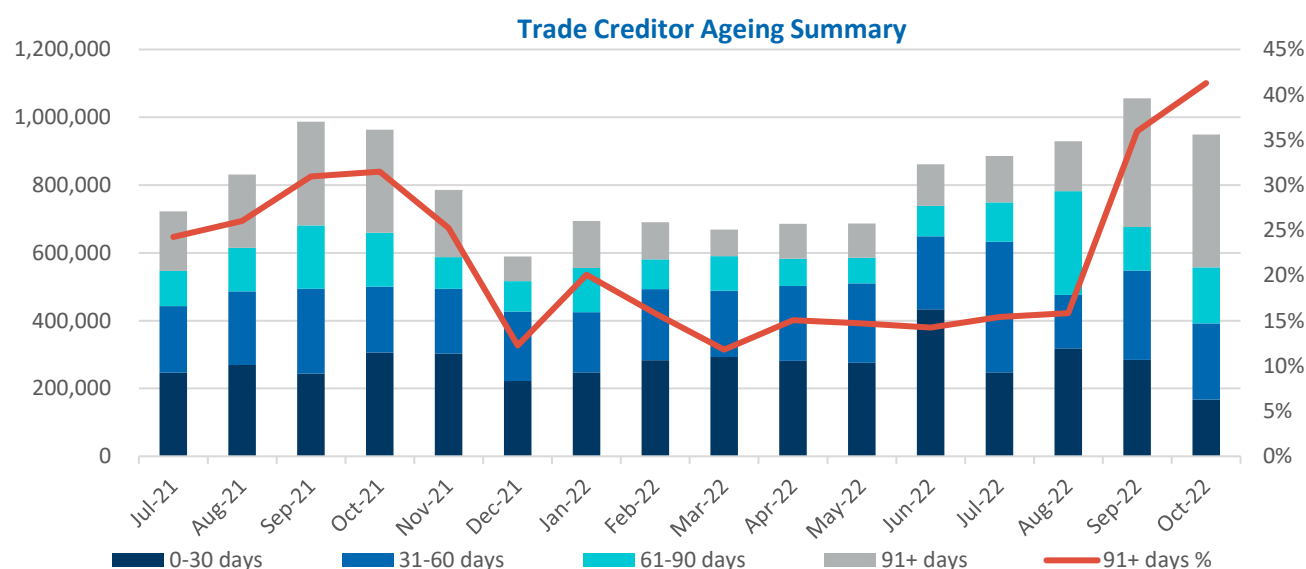
Over the same period, the Company's accumulated EBITDA was a \$7k loss.

Accumulated EBITDA (\$'000s)	Notes	FY19	FY20	FY21	FY22
Opening accumulated EBITDA		-	(343)	(164)	(234)
EBITDA		(343)	1,033	(165)	227
Less Government subsidies		-	(854)	95	-
Closing retained profit/(accumulated losses)		(343)	(164)	(234)	(7)

With respect to the above, we note that the Company experienced cumulative trading losses from at least 1 July 2019 and, despite the efforts of Management, was unable to mitigate these losses.

12.3.4. Creditor ageing

The chart below illustrates the Company's trade creditor ageing position at the end of each month from July 2021 to 21 October 2022.



As illustrated by the 91+ days % line, the Company's percentage of aged payables over 90 days remained between 12%-16% from February 2022 to August 2022 before materially increasing to 36% in September and 41% in October. The previous maximum percentage was 31% in September and October 2021 respectively.

12.3.5. Statutory Liabilities

We have considered the Company's statutory liability position to assist with forming a view in relation to insolvency.

Superannuation

We note that in respect of superannuation, the Company's records indicate compulsory superannuation contributions totalling c.\$109k are outstanding for the period March 2022 to the date of our appointment.

However, an ATO audit of the Company's superannuation compliance for the period 1 April 2020 to 31 March 2022 found that c.\$979k had been underpaid for this period. In addition to the underpayment identified, a penalty of \$1.47m was also imposed. Details of the ATO's decision dated 7 July 2022 are provided in the table below. The Company disputes this amount and wrote to the ATO via its accountants on 6 September 2022 seeking a review of the amount owing, citing amongst other factors, the financial stress caused by debts owing to the ATO within the Company.

WPH Superannuation Summary		
Item	Amount	Notes
SG Shortfall	946,641	Unpaid super dating from Apr'20 to Jun'22
Nominal Interest	118,465	Interest charged on SG shortfall
Admin fees	15,500	Administration fees charged on SG shortfall
Part 7 Penalty (less remission)	1,468,630	
Credit Transfer	(174,956)	Payments made on 10 Jul'22 and 24 Oct'22
GIC	48,620	
Total	2,422,900	

WA Office of State Revenue

The Company's payroll tax running account balance at the time of our appointment was \$368,302. As detailed in section 6.2.3, the Company was on a payment plan of \$30k per month, however appears to have fallen behind on this payment plan from 7 September 2022.

Workers Compensation Insurance

We also note that the Company was indebted to QBE Insurance in relation to the Company's workers compensation insurance policy. As at 10 August 2022, the Company was in arrears in the amount of \$59,125.

12.3.6. Arrangements with creditors

We understand the Company was in payment arrangements with the following five creditors:

Creditor	Date entered into
WA Department of Health	February 2022
WA Office of State Revenue	May 2022
QBE Insurance	August 2022
OptiMed	October 2022
Alcon	October 2022

Other than the five creditors noted above, there is no further evidence of creditors pressuring the Company to settle outstanding accounts, nor is there any evidence of enforcement or legal action taken by any creditors.

12.3.7. Other Factors

Following discussions with staff, we have been advised that:

- The Company was put through two failed sale of business processes prior to 2019. We understand this transaction was expected to alleviate the Company's liquidity issues over the medium to longer term.
- On 6 September 2022, the Company's accounting advisers, SW Accountants & Advisers, drafted a letter to the ATO in relation to the Company's SGC objection. The following reasons were raised as to why the Company had failed to lodge its SGC statements correctly and in a timely manner:
 - The Company had been under severe financial stress due to the outstanding SGC liabilities and other debts owed to the ATO through other entities;
 - The Company had needed to prioritise payment of salaries and wages whilst they got a handle on their financial position;
 - The Director had been under severe pressure due to a recent divorce, which caused significant financial and personal stress. The Director's marriage separation also inadvertently meant his obligations and responsibilities during this period were not carried out efficiently;
 - The Director had reportedly been ordered by the Family Law Court to limit his involvement in the operations of the Company and other entities, and as such there was confusion as to who was responsible for ensuring key employer obligations were met;
 - The Company was significantly impacted by restrictions imposed on elective surgery capacity during the COVID-19 pandemic, with restrictions sporadically increased over months before 100% capacity was allowed. This resulted in a difficulty to meet ongoing obligations which spanned longer than the affected period; and
 - The Company is engaged in ongoing legal matters with LARU as a result of the COVID-19 restrictions and impact on the business and been an extraordinary drain of time and resources on the Company.
- The Company 'shopped around' suppliers to ensure ongoing supply of consumables, medical equipment and maintenance equipment/supplies in circumstance where the Company's trading accounts had been placed on hold or cash on delivery terms imposed. We understand this occurred with increasing frequency over the last two years.

13. Appendix 4 – Creditor Information Sheet



Creditor Rights in Voluntary Administrations

As a creditor, you have rights to request meetings and information or take certain actions:



Right to request information

Information is communicated to creditors in a voluntary administration through reports and meetings.

In a voluntary administration, two meetings of creditors are automatically held. You should expect to receive reports and notice of these meetings:

- The first meeting is held within 8 business days of the voluntary administrator's appointment. A notice of meeting and other information for this meeting will be issued to all known creditors.
- The second, or decision, meeting is usually held within 6 weeks of the appointment, unless an extension is granted. At this meeting, creditors will get to make a decision about the company's future. Prior to this meeting the voluntary administrator will provide creditors with a notice of the meeting and a detailed report to assist in making your decision.

Important information will be communicated to creditors prior to and during these meetings. Creditors are unable to request additional meetings in a voluntary administration.

Creditors have the right to request information at any time. A voluntary administrator must provide a creditor with the requested information if their request is 'reasonable', the information is relevant to the voluntary administration, and the provision of the information would not cause the voluntary administrator to breach their duties.

A voluntary administrator must provide this information to a creditor within 5 business days of receiving the request, unless a longer period is agreed. If, due to the nature of the information requested, the voluntary administrator requires more time to comply with the request, they can extend the period by notifying the creditor in writing.

Requests must be reasonable.

They are not reasonable if:

- (a) complying with the request would prejudice the interests of one or more creditors or a third party
- (b) the information requested would be privileged from production in legal proceedings
- (c) disclosure would found an action for breach of confidence
- (d) there is not sufficient available property to comply with the request
- (e) the information has already been provided
- (f) the information is required to be provided under law within 20 business days of the request
- (g) the request is vexatious

If a request is not reasonable due to (d), (e) or (f) above, the voluntary administrator must comply if the creditor meets the cost of complying with the request.

Otherwise, a voluntary administrator must inform a creditor if their information request is not reasonable and the reason why.

Right to give directions to voluntary administrator

Creditors, by resolution, may give a voluntary administrator directions in relation to a voluntary administration. A voluntary administrator must have regard to these directions, but they are not required to comply with the directions.

If a voluntary administrator chooses not to comply with a direction given by a resolution of the creditors, they must document their reasons for not complying.

An individual creditor cannot provide a direction to a voluntary administrator.

Right to appoint a reviewing liquidator

Creditors, by resolution, may appoint a reviewing liquidator to review a voluntary administrator's remuneration or a cost or expense incurred in a voluntary administration. The review is limited to:

- remuneration approved within the six months prior to the appointment of the reviewing liquidator, and
- expenses incurred in the 12 months prior to the appointment of the reviewing liquidator.

The cost of the reviewing liquidator is paid from the assets of the voluntary administration, in priority to creditor claims.

An individual creditor can appoint a reviewing liquidator with the voluntary administrator's consent, however the cost of this reviewing liquidator must be met personally by the creditor making the appointment.

Right to replace voluntary administrator

At the first meeting, creditors have the right to remove a voluntary administrator and appoint another registered liquidator to act as voluntary administrator.

A creditor must ensure that they have a consent from another registered liquidator prior to the first meeting if they wish to seek the removal and replacement of a voluntary administrator.

Creditors also have the opportunity to replace a voluntary administrator at the second meeting of creditors:

- If creditors vote to accept a proposed deed of company arrangement, they can appoint a different registered liquidator as the deed administrator.
- If creditors vote to place the company into liquidation, they can appoint a different registered liquidator as the liquidator.

It is however usual for the voluntary administrator to act as deed administrator or liquidator. It would be expected that additional costs would be incurred by an alternate deed administrator or liquidator to gain the level of knowledge of the voluntary administrator.

Like with the first meeting, a creditor must ensure that they have a consent from another registered liquidator prior to the second meeting if they wish to seek to appoint an alternative registered liquidator as deed administrator or liquidator.

**For more information, go to www.arita.com.au/creditors.
Specific queries about the voluntary administration should be directed to the voluntary administrator's office.**

Voluntary Administration

Creditor Information Sheet

Offences, Recoverable Transactions and Insolvent Trading



Offences

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

180	Failure by company officers to exercise a reasonable degree of care and diligence in the exercise of their powers and the discharge of their duties.
181	Failure to act in good faith.
182	Making improper use of their position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of the officer's position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for a proper purpose. Use of position or information dishonestly to gain advantage or cause detriment. This can be a criminal offence.
198G	Performing or exercising a function or power as an officer while a company is under administration.
206A	Contravening a court order against taking part in the management of a corporation.
206A, B	Taking part in the management of corporation while being an insolvent, for example, while bankrupt.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of an auditor.
314-7	Failure to comply with requirements for the preparation of financial statements.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to the administrator.
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. 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.

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

Insolvent trading

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

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

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

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

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

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

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

Queries about the voluntary administration should be directed to the administrator's office.

14. Appendix 5 – DIRRI



DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS AND INDEMNITIES

WAIKIKI PRIVATE HOSPITAL PTY LTD (ADMINISTRATORS APPOINTED) ACN 164 463 521 ("COMPANY")

The purpose of this document is to assist creditors with understanding any relevant relationships that we have with parties who are closely connected to the Company and any indemnities or upfront payments that have been provided to us. None of the relationships disclosed in this document are such that our independence is affected.

This information is provided so you have trust and confidence in our independence and, if not, you can ask for further explanation or information and can act to remove and replace us if you wish.

This declaration is made in respect of ourselves, our fellow Senior Managing Directors/Managing Directors, FTI Consulting (Australia) Pty Ltd (FTI Consulting or Firm) and associated entities, as detailed in **Annexure A**.

We are Professional Members of the Australian Restructuring Insolvency and Turnaround Association (ARITA). We acknowledge that we are bound by the ARITA Code of Professional Practice.

Independence

We have assessed our independence and we are not aware of any reasons that would prevent us from accepting this appointment.

There are no other known relevant relationships, including personal, business and professional relationships that should be disclosed beyond those we have disclosed in this document.

Circumstances of appointment

How we were referred this appointment

This appointment was referred to FTI Consulting by John Dorazio of SW Accountants, who is the Company's external accountant.

We believe that this referral does not result in us having a conflict of interest or duty because:

- SW Accountants refers work to FTI Consulting from time to time. Neither the Administrators nor FTI Consulting have any formal or informal referral arrangements with SW Accountants, and to our knowledge they do not exclusively refer such work to us or FTI Consulting.
- FTI Consulting is not reliant upon referrals from SW Accountants, who are one of a considerable number of firms, organisations and persons who refer work to, or seek advice from, FTI Consulting. This engagement is

not financially significant to FTI Consulting and the receiving or otherwise of other referrals from SW Accountants is not material to FTI Consulting.

- Work referrals arising from networks of business professionals, advisors and other persons are normal and accepted arrangements, and do not inherently impact on us discharging our statutory duties and obligations with independence and impartiality.
- There is no expectation, agreement or understanding between the Administrators and the referrer about the conduct of this administration and we are free to act independently and in accordance with the law and the requirements of the ARITA Code of Professional Practice.

Did we meet with the Company, its directors or their advisers before we were appointed?

☒ Yes ☐ No

We had the following four pre-appointment meetings involving either the Company, its director, its advisors and doctors practicing from the hospital during the period between 10 October 2022 and 18 October 2022:

- On 10 October 2022, Daniel Woodhouse received a telephone call from John Dorazio, of SW Accountants, the Company's external accountants. The purpose of the telephone call was to discuss possible restructuring alternatives generally.
- On 11 October 2022, Mr Woodhouse and Joseph Abberton, of Lavan Legal, attended a meeting at SW Accountants. The meeting was also attended by Mr Dorazio, representing the Company, and Dr Cheng Bee Yip (in person), Dr Leigh Archer (by Microsoft Teams) and Dr Ammar Nagree (by Microsoft Teams) (collectively "Doctors"). The Doctors all practice at the hospital operated by the Company and have an interest in the long-term future of the hospital. The purpose of the meeting was to obtain sufficient information about the Company to determine its financial position, explain the various forms of insolvency processes and introduce Mr Abberton to the Doctors. Mr Woodhouse left the meeting once these discussions had concluded.
- On 19 October 2022, Mr Woodhouse and William Grassick, both of FTI Consulting, attended a meeting at Lavan's offices, who were engaged to act for the Doctors following the 11 October 2022 meeting. In attendance was Mr Abberton (Lavan), Zac Sharp (Lavan), Alistair Fleming (Clayton Uz), Dr Yip, Dr Archer and Dr Nagree. The purpose of the meeting was to further explain the Voluntary Administration process and funding requirements to trade the business during the Voluntary Administration period.
- On 20 October 2022, Mr Woodhouse met with Mr Tony Robinson, the Company's director. Joseph Abberton briefly attended the meeting to discuss the Voluntary Administration funding. Once Mr Abberton left the meeting, Daniel Woodhouse explained the Voluntary Administration process to Mr Robinson, including the consequences of an appointment and provided Mr Robinson with a Consent to Act.

In all four meetings above, the purposes of the meetings were to:

- obtain sufficient information about the Company to enable discussion around the financial position of the Company;
- explain the various forms of insolvency appointments, the options available, and the consequences of an insolvency appointment;
- outline the process following an insolvency appointment; and
- provide a Consent to Act.

We received no remuneration for these meetings.

In our opinion, these meetings do not affect our independence for the following reasons:

- The Courts and relevant professional bodies recognise the need for practitioners to provide advice on the insolvency process and the options available and do not consider that such advice results in a conflict or is an impediment to accepting the appointment.
- The nature of the advice provided to the Company is such that it would not be subject to review and challenge during the course of our appointment.
- No advice has been given to the director in his capacity as director of the Company, or in relation to his personal circumstances.
- The pre-appointment advice will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the appointment as Administrators of the Company in an objective and impartial manner.

We have provided no other information or advice to the Company, its director, or its advisors prior to our appointment beyond that outlined in this DIRRI.

Declaration of Relationships

Within the previous 2 years we or our firm have had a relationship with:

The Company	☐ Yes ☒ No
The director	☐ Yes ☒ No
Any associates of the Company?	☐ Yes ☒ No
A former insolvency practitioner appointed to the Company?	☒ Yes ☐ No Jeremy Nipps and Thomas Birch of Cor Cordis were appointed as Receivers over assets of the Company for the period 22 August 2022 to 20 September 2022. Mr Nipps is a former employee of FTI Consulting, resigning in 2015 (i.e. 7 years ago). Mr Birch is also known to FTI Consulting through our network of business professionals. We did not have any interactions with Mr Nipps or Mr Birch with respect to the Company and the appointment was not referred to FTI Consulting by either Mr Nipps, or Mr Birch.
A secured creditor entitled to enforce a security over the whole or substantially the whole of the Company's property?	☐ Yes ☒ No

Do we have any other relationships that we consider are relevant to creditors assessing our independence?

☐ Yes ☒ No

Indemnities and up-front payments

We have not received any up-front payments or indemnities for this appointment. However, subsequent to our appointment, the Voluntary Administrators have negotiated a Loan Facility Agreement ("Facility") with Clanay Pty Ltd for \$750,000. The Facility has been negotiated on an arm's length basis and does not create any contingency that would prevent the Voluntary Administrators from discharging their duties in an independent manner.

Clanay Pty Ltd's directors are Dr Cheng Bee Yip, Dr Leigh Archer and Dr Ammar Nagree.

This does not include any indemnities the Administrators may be entitled to under the law.

Dated 25 October 2022



Daniel Woodhouse



Ian Francis

Notes:

1. *The assessment of independence has been made based on an evaluation of the significance of any threats to independence and in accordance with the requirements of the relevant legislation and professional Standards.*
2. *If circumstances change, or new information is identified, we are required under the Corporations Act 2001 or Bankruptcy Act and ARITA's Code of Professional Practice to update this Declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the insolvent's creditors. For creditors' voluntary liquidations and voluntary administrations, this document and any updated versions of this document are required to be lodged with ASIC.*

ANNEXURE A

FTI Consulting (Australia) Pty Ltd and associated entities

FTI Consulting Inc (ultimate holding entity)

FTI Consulting – FD Australia Holdings Pty Ltd

FTI Consulting (Australia) Pty Ltd

FTI Technology (Sydney) Pty Ltd

FTI Consulting (Perth) Pty Ltd

FTI Consulting (Sydney) Pty Ltd

FTI Capital Advisors (Australia) Pty Ltd

FTI Consulting Australia Nominees Pty Ltd

15. Appendix 6 – Remuneration Approval Report

17 November 2022



Remuneration Approval Report

Waikiki Private Hospital Pty Ltd
(Administrators Appointed)
ACN 164 463 521

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Schedule B – Time spent by staff on each major task (work already done)

Schedule C – Resolutions

Schedule D – Summary of receipts and payments

Schedule E – FTI Consulting schedule of rates effective 1 July 2022

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 Waikiki Private Hospital Pty Ltd (Administrators Appointed) ACN 164 463 521 (“Company”).

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

Appointment type	Period	Remuneration (excl GST)
Voluntary Administration	21 October 2022 to 13 November 2022	\$367,938
Voluntary Administration	14 November 2022 to 24 November 2022	\$150,000

If creditors resolve that the Company execute a Deed of Company Arrangement

Voluntary Administration	25 November 2022 to execution of the Deed of Company Arrangement	\$140,000
Deed Administration	Commencement to conclusion of the Deed Administration	\$100,000
Creditors Trust	Commencement to conclusion of the Creditors Trust	\$50,000

If creditors resolve that the Company be wound up in liquidation

Liquidation	24 November 2022 to conclusion of the liquidation	\$350,000
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No remuneration has previously been approved in the Voluntary Administration.

We estimate that the total cost of this voluntary administration will be in the range of \$517,938 to \$657,938 (excluding GST). Remuneration has increased above the previous estimate of between \$450,000 to \$500,000 (excluding GST) provided to creditors in our initial notice to creditors dated 25 October 2022 due to, namely, the following factors:

- Extensive work in reviewing trading protocols for the Company and implementing improvements in procurement controls;
- Ongoing engagement and negotiations with a large number of suppliers in respect to ongoing trading arrangements with the Administrators;
- Additional work to evidence and recover debtor receipts remitted to the Director’s bank account;
- Additional work to bring pre-appointment records up to date across numerous reporting platforms, including the amendment of payroll reporting inputs and the preparation of debtor reconciliations between separately utilised billing management and accounting platforms;
- Additional work to update financial and operational information required for the Information Memorandum as part of the sale of business process completed by the Administrators;

- Additional attendance at site to oversee the trading of the Company; and
- The number of interested parties providing an expression of interest in the Company's assets.

Declaration

We, Daniel Woodhouse and Ian Francis, of FTI Consulting, have undertaken a proper assessment of the claims for remuneration for the appointment as Voluntary 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.

Remuneration sought

We will only seek approval of resolutions for the Deed of Company Arrangement (DOCA) if creditors agree to the proposal offered. Similarly, we will only seek approval of the resolution for the liquidation if creditors vote to place the Company into liquidation.

For	Period	Amount \$ (excl GST)	Applicable rates	Timing of payment
Work already completed	21 October 2022 to 13 November 2022	\$367,938	As per the attached hourly rates	Immediately or when funds become available
Future work to the second meeting of creditors	14 November 2022 to 24 November 2022	\$150,000	As per the attached hourly rates	Immediately or when funds become available
Voluntary Administration Total		\$517,938		
Future work from the second meeting of creditors to the execution of the DOCA	25 November 2022 to on or before 16 December 2022	\$140,000	As per the attached hourly rates	As and when costs are incurred and funds are available
Future work to the conclusion of the DOCA	From commencement to conclusion of the Deed Administration	\$100,000	As per the attached hourly rates	As and when costs are incurred and funds are available
Future work to the conclusion of the Creditors Trust	From commencement to conclusion of the Creditors Trust	\$50,000	As per the attached hourly rates	As and when costs are incurred and funds are available
DOCA / Creditors Trust Total		\$290,000		

Future work to the end of the liquidation	24 November 2022 to conclusion of the liquidation	\$350,000	As per the attached hourly rates	As and when costs are incurred and funds are available
Liquidation Total		\$350,000		

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 meeting provided to you.

Disbursements

We are not required to seek creditor approval for costs paid to third parties or where we are recovering a cost incurred on behalf of the administration, but we must provide details to creditors. Details of these amounts are included in the attached Receipts and Payments.

For more information about disbursements, please refer to the Initial Remuneration Notice sent to you on 25 October 2022.

We are not currently seeking approval for disbursements.

Likely impact on dividends

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

Please refer to the Administrators report pursuant to Insolvency Practice Rules 75-225 for information on the likelihood of a dividend to creditors, which incorporates remuneration approval sought from creditors in this remuneration report.

Funding received for remuneration and disbursements

Subsequent to our appointment, the Administrators negotiated a Loan Facility Agreement ("Facility") with Clanay Pty Ltd for \$750,000. The Facility has been negotiated on an arm's length basis. Clanay Pty Ltd's directors are Dr Cheng Bee Yip, Dr Leigh Archer and Dr Ammar Nagree.

Summary of receipts and payments

A summary of the receipts and payments for the voluntary administration as at 13 November 2022 is **enclosed** at **Schedule D** to this report.

Queries

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

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

- ARITA at www.arita.com.au/creditors
- ASIC at www.asic.gov.au (search for INFO 85).
- AFSA at www.afsa.gov.au (search for “remuneration information sheet”).]

If you have any queries in relation to the information in this report, please contact Conor Robson of this office on (08) 9321 8533 or by email at conor.robson@fticonsulting.com.



Daniel Woodhouse
Joint and Several Administrator

Attachments:

Schedule A – Details of work

Schedule B – Time spent by staff on each major task (work already done)

Schedule C – Resolutions

Schedule D – Summary of receipts and payments

Schedule E – FTI Consulting schedule of rates effective 1 April 2020

Schedule A – Time spent by staff on each major task (work already done)

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work / Creditors Trust work	Liquidation work
Period	21 October 2022 to 13 November 2022	14 November 2022 to 24 November 2022	25 November 2022 to execution of DOCA	Execution of DOCA to conclusion of DOCA	24 November 2022 to conclusion of liquidation
Total Amount \$ (excl GST)	\$367,938	\$150,000	\$140,000	\$150,000	\$350,000
Assets	94.7 hours, \$46,257	\$10,000	\$5,000	\$5,000	\$25,000
Sale of business as a going concern	■ Preparing an information memorandum ■ Advertisement of sale of business ■ Liaising with interested parties, including question and answers and site visits ■ Internal meetings to discuss/review offers received	■ Liaising with purchasers ■ Internal meetings to discuss/review any last minute offers received			■ Liaising with purchasers ■ Internal meetings to discuss/review any further offers received
Plant & equipment	■ Liaising with valuers, auctioneers and interested parties ■ Reviewing asset listings				■ Liaising with valuers, auctioneers and interested parties regarding fair value under a sale of business ■ Realising remaining plant and equipment not forming part of a sale of business
Real property lease	■ Review of lease ■ Dealing with leased premises during the administration	■ Engaging with landlord and DOCA proponent, and potentially other interested parties, to assess landlord's position on transaction	■ Engaging with landlord and DOCA proponent, and potentially other interested parties, to assess landlord's position on transaction	■ Discussions and documentation regarding ongoing lease requirements	

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work / Creditors Trust work	Liquidation work
	Discussions with landlord regarding potential to novate or renegotiate lease				
Assets subject to specific charges	- Correspondence with lessors regarding registrations - Identifying and valuing charged asset			Negotiations with lessors regarding assignment of leases / go forward arrangement with DOCA Proponent	All tasks associated with realising a charged asset
Debtors	- Correspondence with Finance Resources Pty Ltd regarding charge over debtors - Reviewing and assessing debtors' ledgers - Liaising with debtors regarding outstanding debts - Correspondence with Health Insurers in respect to existing cost agreements and the redirection of future payments - Liaising with a financial institution with respect to the recovery of debtor remittances paid into the Director's bank account	Liaising with debtors regarding outstanding debts	Liaising with debtors regarding outstanding debts	Liaising with debtors regarding outstanding debts	Liaising with debtors regarding outstanding debts
Stock	- Conducting stock takes - Reviewing stock values - Liaising with creditors asserting retention of title and identifying applicable stock				- Realising remaining stock on hand - Stock takes required relevant to a sale of business

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work / Creditors Trust work	Liquidation work
	■ Review of stock controls and tracking procedures				
Creditors	89.6 hours, \$46,821	\$30,000	\$20,000	\$30,000	\$50,000
Creditor Enquiries, Requests & Directions	■ Receive and respond to creditor enquiries ■ Review and prepare initial correspondence to creditors and their representatives ■ Considering reasonableness of creditor requests and complying where required	■ Receive and respond to creditor enquiries ■ Considering reasonableness of creditor requests and complying where required	■ Receive and respond to creditor enquiries ■ Considering reasonableness of creditor requests and complying where required	■ Receive and respond to creditor enquiries ■ Considering reasonableness of creditor requests and complying where required	■ Receive and respond to creditor enquiries ■ Considering reasonableness of creditor requests and complying where required
Retention of Title Claims	■ Search of the PPSR register ■ Notify PMSI creditors identified from PPSR register ■ Receive initial notification of creditor's intention to claim ■ Provision of retention of title claim form to creditors ■ Maintain retention of title file ■ identify goods on site and adjudicate retention of title claim ■ Preparation of correspondence to claimant regarding adjudication and next steps	■ Ongoing correspondence with claimant regarding status of claim and outcome of adjudication ■ Document commercial agreements with claimants where assets are required	■ Ongoing correspondence with claimant regarding status of claim and outcome of adjudication		■ Ongoing correspondence with claimant regarding status of claim and outcome of adjudication ■ Satisfying valid claims for ROT including facilitating payment.

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work / Creditors Trust work	Liquidation work
	■ Negotiate commercial outcomes for assets required in business where valid claims exists				
Loan from Clanay Pty Ltd ("Clanay")	■ Discussing loan facility during the voluntary administration ■ Reviewing documentation to formalise terms of loan from Clanay ■ Receipting loaned funds and relevant reporting requirements for loan.	■ Determining whether further funding is required and preparing drawn down requests (if necessary) ■ Providing regular reports to Clanay in their capacity as lender to the Administrators	■ Determining whether further funding is required and preparing drawn down requests (if necessary) ■ Providing regular reports to Clanay in their capacity as lender to the Administrators	■ Determining whether further funding is required and preparing drawn down requests (if necessary) ■ Providing regular reports to Clanay in their capacity as lender to the Administrators ■ Repayment of Clanay loan from available funds held in the Deed Administration (if necessary)	■ Determining likely penalties and charges under Clanay loan facility ■ Repayment of Clanay loan from available funds held in the liquidation
Creditor reports	■ Preparing initial report to creditors ■ Preparing comprehensive Voluntary Administrator's report, including all supporting documents and investigations	■ Preparing supplementary reports to creditors in advance of meeting (if required)		■ Preparing Deed Administrators' report and/or update communications to creditors	■ Preparing Statutory Report by Liquidator and subsequent reports (as required)
Dealing with proofs of debt	■ Receipting and filing POD when not related to a dividend ■ Corresponding with OSR and ATO regarding POD when not related to a dividend ■ Corresponding with ATO, Company and SW Accountants regarding calculation of superannuation arrears	■ Receipting and filing POD when not related to a dividend	■ Receipting and filing POD when not related to a dividend		■ Receipting and filing POD when not related to a dividend

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work / Creditors Trust work	Liquidation work
Meeting of Creditors	■ Preparation of meeting notices for first meeting, 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 first meeting with ASIC ■ Responding to stakeholder queries and questions immediately following meeting	■ Preparation of meeting file for second meeting of creditors, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. ■ Conducting second meeting of creditors	■ Preparation and lodgement of minutes of second meeting with ASIC ■ Responding to stakeholder queries and questions immediately following meeting		■ Preparation and lodgement of minutes of second meeting with ASIC ■ Responding to stakeholder queries and questions immediately following meeting
Proposals to Creditors					■ Preparing proposal notices and voting forms (if required) ■ Forward notice of proposal to all known creditors ■ Reviewing votes and determining outcome of proposal ■ Preparation and lodgement of proposal outcome with ASIC
Employees	7.1 hours, \$3,924	\$5,000	\$10,000	\$10,000	\$15,000

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work / Creditors Trust work	Liquidation work
Employee enquiries	■ Receive and follow up employee enquiries via telephone ■ Review and prepare correspondence to employees and their representatives via email and post ■ Preparation of letters to employees advising of the status of their entitlements ■ Conduct employee town hall meetings to provide updates on administration to date	■ Receive and follow up employee enquiries via telephone ■ Preparation of letters to employees advising of their entitlements and options available ■ Conduct employee town hall meetings to provide updates on administration to date	■ Conduct employee town hall meetings to provide updates on administration to date	■ Receive and follow up employee enquiries via telephone ■ Review and prepare correspondence to employees and their representatives via email and post ■ Conduct employee town hall meetings to provide updates on administration to date ■ Preparation of letters to employees advising of the status of their employment, entitlements and corresponding payments	■ Receive and follow up employee enquiries via telephone ■ Review and prepare correspondence to employees and their representatives via facsimile, email and post ■ Preparation of letters to employees advising of the status of their employment, entitlements and corresponding payments
FEG	■ Discussion with FEG on background of the appointment of Voluntary Administrators and likelihood of requiring their assistance in meeting outstanding entitlements				■ Correspondence with FEG ■ Preparing notification spreadsheet ■ Preparing FEG quotations ■ Completing FEG questionnaires
Calculation of entitlements	■ Calculating employee entitlements ■ Reviewing employee files and company's books and records ■ Reconciling superannuation accounts ■ Reviewing awards ■ Identifying discrepancies between Company's		■ Determining transferring employee entitlements prior to effectuation of DOCA ■ Terminating any employees that may not be required by the DOCA Proponent moving forward	■ Determining transferring employee entitlements in the DOCA ■ Terminating any employees that are not required by the DOCA Proponent moving forward	■ Reviewing calculation of entitlements following employee enquiries on amount outstanding

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work / Creditors Trust work	Liquidation work
	- records and governing instruments for calculating entitlements ■ Resolving and finalising entitlements				
Employee dividend				■ If not all entitlements are assumed under the DOCA, then: ■ Correspondence with employees regarding dividend ■ 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	■ Correspondence with employees regarding dividend ■ 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 ■ Correspondence with insurer regarding initial and ongoing workers compensation insurance requirements ■ Correspondence with previous brokers			■ Finalise workers compensation policy and premium for the administration trading period	■ Finalise workers compensation policy and premium for the administration trading period
Other employee issues	■ Correspondence with Child Support				

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work / Creditors Trust work	Liquidation work
	■ Correspondence with Centrelink				
Trade On	447.3 hours, \$213,358	\$90,000	\$90,000	\$45,000	\$100,000
Trade on management	■ Liaising with suppliers regarding new trading protocols and opening new accounts ■ Liaising with management and staff regarding current and new trading protocols ■ Attendance on site ■ Authorising purchase orders and opening up supply lines ■ Maintaining purchase order registry ■ Preparing and authorising receipt and payment vouchers ■ Liaising with superannuation funds regarding contributions ■ Liaising with OSR regarding payroll tax issues ■ Liaising with LARU regarding ongoing licence requirements and reporting ■ Instructing solicitors in respect to private hospital licence and proceedings before the State Administrative Tribunal	■ Liaising with suppliers, management and staff ■ Attendance on site ■ Authorising purchase orders ■ Maintaining purchase order registry ■ Maintaining supplier database ■ Preparing and authorising receipt and payment vouchers ■ Maintaining administrators accounting MYOB management accounts	■ Liaising with suppliers, management and staff ■ Attendance on site ■ Authorising purchase orders ■ Maintaining purchase order registry ■ Maintaining purchase order registry ■ Preparing and authorising receipt and payment vouchers ■ Maintaining administrators accounting MYOB management accounts	■ Finalising trading position ■ Correspondence with suppliers to close administration accounts ■ Settling final accounts	■ Continue to trade the operations as applicable in order to affect a sale of business in situ ■ Alternative to a sale of business, facilitate the orderly winding down of the operations ■ Finalising trading position ■ Correspondence with suppliers to close administration accounts ■ Settling final accounts

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work / Creditors Trust work	Liquidation work
Budgeting and financial reporting	■ Reviewing company's budgets and financial statements ■ Preparing cashflow forecast and weekly financial reports on trading position ■ Meetings to discuss trading position and general trading issues	■ Maintaining cashflow forecast and weekly financial reports on trading position ■ Meetings to discuss trading position and general trading issues	■ Maintaining cashflow forecast and weekly financial reports on trading position ■ Meetings to discuss trading position and general trading issues	■ Finalising trading surplus/deficit following Administrators ceasing to trade	■ Finalising trading surplus/deficit following ceasing to trade
Investigations	24.2 hours, \$9,813	\$0	\$0	\$0	\$120,000
Conducting investigation	■ Collection of company books and records ■ Where required, considering and undertaking review and reconstruction of financial statements, company's books and records ■ Review Report on Company Affairs and Property ■ Reviewing company's books and records ■ Review and preparation of company nature and history ■ Conducting and summarising statutory searches ■ Preparation of comparative financial statements ■ Preparation of deficiency statement				■ Ongoing reviewing of company's books and records ■ Continue review of specific transactions and liaising with director regarding certain transactions ■ Preparation of investigation file ■ Lodgement of investigation report with the ASIC ■ Preparation and lodgement of supplementary report if required ■ Liaising with solicitors regarding potential recovery actions to be pursued

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work / Creditors Trust work	Liquidation work
	■ Review of specific transactions and liaising with management regarding certain transactions ■ Preparation of investigation file and quantifying potential recoveries available in a liquidation				
Examinations					■ If required, pursuing examinations of individuals, including: ■ Preparing brief to solicitor ■ Liaising with solicitor(s) regarding examinations ■ Attendance at examination ■ Reviewing examination transcripts ■ Liaising with solicitor(s) regarding outcome of examinations and further actions available
Litigation / Recoveries					■ Internal meetings to discuss status of litigation ■ Preparing brief to solicitors ■ Liaising with solicitors regarding recovery actions ■ Attending to negotiations ■ Attending to settlement matters
ASIC reporting					■ Preparing statutory investigation reports

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work / Creditors Trust work	Liquidation work
					■ Liaising with ASIC
Dividend	0 hours, \$0	\$0	\$0	\$40,000 (Applicable to Creditors Trust Only)	\$15,000
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	■ 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 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

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work / Creditors Trust work	Liquidation work
				■ Preparation of correspondence to creditors announcing declaration of dividend ■ Advertise announcement of dividend ■ Preparation of distribution ■ Preparation of dividend file ■ Preparation of payment vouchers to pay dividend ■ Preparation of correspondence to creditors enclosing payment of dividend	■ Preparation of correspondence to creditors announcing declaration of dividend ■ Advertise announcement of dividend ■ Preparation of distribution ■ Preparation of dividend file ■ Preparation of payment vouchers to pay dividend ■ Preparation of correspondence to creditors enclosing payment of dividend
Administration	113.3 hours, \$47,764	\$15,000	\$15,000	\$20,000	\$25,000
Correspondence	■ General correspondence with various parties	■ General correspondence with various parties	■ 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	■ Filing of documents ■ File reviews ■ Updating checklists	■ Filing of documents ■ File reviews ■ Updating checklists	■ First month, then six-monthly administration reviews ■ Filing of documents ■ File reviews	■ First month, then six-monthly administration reviews ■ Filing of documents ■ File reviews ■ Updating checklists
Insurance	■ Identification of potential issues requiring attention of insurance specialists ■ Correspondence with insurer regarding initial and ongoing insurance requirements			■ Finalising and ending insurance policies for administration trading period	■ Finalising and ending insurance policies for administration trading period

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work / Creditors Trust work	Liquidation work
	■ Reviewing insurance policies ■ Correspondence with previous brokers				
Funds handling	■ 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	■ Entering receipts and payments into accounting system ■ Bank account reconciliations	■ Entering receipts and payments into accounting system ■ Bank account reconciliations	■ Preparing correspondence closing accounts ■ Entering receipts and payments into accounting system ■ Requesting bank statements ■ Bank account reconciliations ■ Correspondence with bank regarding specific transfers	■ Preparing correspondence 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 including 505, 911 etc. ■ Correspondence with ASIC regarding statutory forms			■ Preparing and lodging ASIC forms including 505, 5602/5603, 911 etc. ■ Correspondence with ASIC regarding statutory forms	■ Preparing and lodging ASIC forms including 505, 5602/5603, 911 etc. ■ 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	■ Preparing BAS ■ Completing STP reporting obligations	■ Notification of cessation of appointment ■ Preparing BAS ■ Completing STP reporting obligations	■ Notification of cessation of appointment ■ Preparing BAS ■ Completing STP reporting obligations
Finalisation	■ Cancelling ABN / GST / PAYG registration ■ Completing checklists ■ Finalising WIP			■ Notifying ATO of finalisation ■ Cancelling ABN / GST / PAYG registration ■ Completing checklists	■ Notifying ATO of finalisation ■ Cancelling ABN / GST / PAYG registration ■ Completing checklists

Task area/General description	Work already done	Future work to meeting date	Future work from meeting to ex of DOCA	DOCA work / Creditors Trust work	Liquidation work
				■ Finalising WIP	■ Finalising WIP
Planning / Review	■ Discussions regarding status of administration ■ Internal workflow meetings to manage complexities of the administration	■ Discussions regarding status of administration	■ Discussions regarding status of administration	■ Discussions regarding status of administration	■ Discussions regarding status of administration
Books and records / storage				■ Dealing with records in storage ■ Sending job files to storage	■ Dealing with records in storage ■ Sending job files to storage

Schedule B – Time spent by staff on each major task (work already done)

21 October 2022 to 13 November 2022

Employee	Position	\$ /hour (excl GST)	Total actual hours	Total \$ (excl GST)	Task Area											
					Assets		Creditors		Employees		Trade on		Investigation		Administration	
					Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Daniel Woodhouse	Senior Managing Director	\$ 740	47.50	\$ 35,150.00	5.00	\$ 3,700.00	5.40	\$ 3,996.00	0.10	\$ 74.00	25.90	\$ 19,166.00	0.80	\$ 592.00	10.30	\$ 7,622.00
Ian Francis	Senior Managing Director	\$ 740	0.30	\$ 222.00	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.30	\$ 222.00	0.00	\$ -	0.00	\$ -
Drew Forbes	Managing Director	\$ 680	89.90	\$ 61,132.00	17.80	\$ 12,104.00	25.00	\$ 17,000.00	0.00	\$ -	31.30	\$ 21,284.00	0.70	\$ 476.00	15.10	\$ 10,268.00
Martin Nicholson	Senior Director	\$ 620	48.00	\$ 29,760.00	0.00	\$ -	0.00	\$ -	0.00	\$ -	43.00	\$ 26,660.00	0.00	\$ -	5.00	\$ 3,100.00
Andrew Clowes	Director	\$ 550	47.80	\$ 26,290.00	9.20	\$ 5,060.00	20.00	\$ 11,000.00	7.00	\$ 3,850.00	6.50	\$ 3,575.00	2.90	\$ 1,595.00	2.20	\$ 1,210.00
William Grassick	Director	\$ 550	142.30	\$ 78,265.00	0.00	\$ -	0.00	\$ -	0.00	\$ -	142.30	\$ 78,265.00	0.00	\$ -	0.00	\$ -
Katie Hodson-Thomas	Director	\$ 475	5.00	\$ 2,375.00	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	5.00	\$ 2,375.00
Joshua Furman	Consultant II	\$ 405	95.30	\$ 38,596.50	62.70	\$ 25,393.50	28.30	\$ 11,461.50	0.00	\$ -	0.00	\$ -	4.00	\$ 1,620.00	0.30	\$ 121.50
Erin Millard	Associate II	\$ 350	15.80	\$ 5,530.00	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	15.80	\$ 5,530.00	0.00	\$ -
George Gelevitis	Associate II	\$ 350	57.00	\$ 19,950.00	0.00	\$ -	1.00	\$ 350.00	0.00	\$ -	51.90	\$ 18,165.00	0.00	\$ -	4.10	\$ 1,435.00
Benjamin Van Heurck	Associate II	\$ 350	0.20	\$ 70.00	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.20	\$ 70.00
Conor Robson	Associate I	\$ 315	57.40	\$ 18,081.00	0.00	\$ -	7.90	\$ 2,488.50	0.00	\$ -	0.00	\$ -	0.00	\$ -	49.50	\$ 15,592.50
Shruti Santani	Associate I	\$ 315	147.10	\$ 46,336.50	0.00	\$ -	1.00	\$ 315.00	0.00	\$ -	146.10	\$ 46,021.50	0.00	\$ -	0.00	\$ -
Selina Naylor	Treasury	\$ 300	6.10	\$ 1,830.00	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	6.10	\$ 1,830.00
Robyn Hardeman	Treasury	\$ 300	2.30	\$ 690.00	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	2.30	\$ 690.00
Chelsea Fisk	Treasury	\$ 300	3.50	\$ 1,050.00	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	3.50	\$ 1,050.00
Yuet Yeng Yee	Treasury	\$ 300	3.10	\$ 930.00	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	3.10	\$ 930.00
Claire Rees	Administration 2	\$ 250	2.10	\$ 525.00	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	0.00	\$ -	2.10	\$ 525.00
Ashleigh Damore	Administration 1	\$ 210	5.50	\$ 1,155.00	0.00	\$ -	1.00	\$ 210.00	0.00	\$ -	0.00	\$ -	0.00	\$ -	4.50	\$ 945.00
Total (ex GST)				\$ 367,938.00		\$ 46,257.50		\$ 46,821.00		\$ 3,924.00		\$ 213,358.50		\$ 9,813.00		\$ 47,764.00
GST				\$ 36,793.80												
Total (Incl GST)				\$ 404,731.80												
Total hours			776.20		94.70		89.60		7.10		447.30		24.20		113.30	
Avg hourly rate (ex GST)				\$ 474.02		\$ 488.46		\$ 522.56		\$ 552.68		\$ 476.99		\$ 405.50		\$ 421.57

Schedule C – Resolutions

Resolution 1 – Voluntary Administration

21 October 2022 to 13 November 2022

That the remuneration of the Voluntary Administrators of Waikiki Private Hospital Pty Ltd (Administrators Appointed) from 21 October 2022 to 13 November 2022 (inclusive) be calculated on a time basis at the hourly rates set out in the Schedule of FTI Consulting standard rates effective 1 July 2022, and is determined and approved for payment in the amount of \$367,938.00 plus GST, to be drawn from available funds immediately or as funds become available.

Resolution 2- Voluntary Administration

14 November 2022 to 25 November 2022

That the remuneration of the Voluntary Administrators of Waikiki Private Hospital Pty Ltd (Administrators Appointed) from 14 November 2022 to 24 November 2022 (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Voluntary Administrators, calculated on a time basis at the hourly rates set out in the Schedule of FTI Consulting standard rates effective 1 July 2022, up to a capped amount of \$150,000 plus GST, to be drawn from available funds immediately or as funds become available.

Resolution 3 – Voluntary Administration (if Company to execute a DOCA)

26 November to on or before 16 December 2022

That the remuneration of the Voluntary Administrators of Waikiki Private Hospital Pty Ltd (Administrators Appointed) from 25 November 2022 to execution of the Deed of Company Arrangement (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Voluntary Administrators, calculated on a time basis at the hourly rates set out in the Schedule of FTI Consulting standard rates effective 1 July 2022, up to a capped amount of \$140,000 plus GST, to be drawn from available funds immediately or as funds become available.

Resolution 4 – Deed Administration (if Company to execute a DOCA)

Commencement to conclusion of the Deed Administration

That the future remuneration of the Deed Administrators of Waikiki Private Hospital Pty Ltd from the commencement to conclusion of the deed administration (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Deed Administrators, calculated on a time basis at the hourly rates set out in the Schedule of FTI Consulting standard rates effective 1 July 2022, up to a capped amount of \$100,000 plus GST, to be drawn from available funds immediately or as funds become available.

Resolution 5 – Creditors Trust (if Company to execute a DOCA)

Commencement to conclusion of the Deed Administration

That the future remuneration of the Trustees of Waikiki Private Hospital Creditors Trust from the commencement to conclusion of the Creditors Trust (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Trustees, calculated on a time basis at the hourly rates set out in the Schedule of FTI Consulting standard rates effective 1 July 2022, up to a capped amount of \$50,000 plus GST, to be drawn from available funds immediately or as funds become available.

Resolution 6 – Liquidation (if Company wound up)

25 November 2022 to conclusion of the liquidation

That the future remuneration of the Liquidators of Waikiki Private Hospital Pty Ltd for the period 24 November 2022 to conclusion of the liquidation (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Liquidators, calculated on a time basis at the hourly rates set out in the Schedule of FTI Consulting standard rates effective 1 July 2022, up to a capped amount of \$350,000 plus GST, to be drawn from available funds immediately or as funds become available.

Schedule D – Summary of receipts and payments

Receipts and payments for the period 21 October 2022 to 13 November 2022

Receipts	\$
Accounts Receivable (Pre-appointment)	366,895.95
Administration Funding	400,000.00
Trading Receipts	110,953.26
Total Receipts	877,849.21
Payments	
Wages and Salaries	(127,395.67)
Software & Subscriptions	(4,488.93)
Medical Device and Consumable Costs	(99,308.63)
Bank Charges	(301.13)
Legal Fees	(16,287.70)
Telephone and Utilities	(2,054.20)
Repairs and Maintenance	(3,623.76)
Advertising	(137.50)
Storage	(1,814.26)
Laundry and Linen	(9,647.84)
Total Payments	(265,059.62)
Net Receipts	612,789.59

Schedule E – FTI Consulting schedule of rates effective 1 July 2022

Typical classification	Standard Rates \$/hour	General guide to classifications
Senior Managing Director/Appointee	740	Registered Liquidator and/or Trustee, with specialist skills and extensive experience in all forms of insolvency administrations. Alternatively, has proven leadership experience in business or industry, bringing specialist expertise and knowledge to the administration.
Managing Director	680	Specialist skills brought to the administration. Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee. May also be a Registered Liquidator and/or Trustee. Alternatively, has extensive leadership/senior management experience in business or industry.
Senior Director	620	Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee, where required. May also be a Registered Liquidator and/or Trustee or have experience sufficient to support an application to become registered. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Director	550	Significant experience across all types of administrations. Strong technical and commercial skills. Has primary conduct of small to large administrations, controlling a team of professionals. Answerable to the appointee, but otherwise responsible for all aspects of the administration. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Senior Consultant 2	500	Typically an Australian Restructuring Insolvency & Turnaround Association professional member. Well developed technical and commercial skills. Has experience in complex matters and has conduct of small to medium administrations, supervising a small team of professionals. Assists planning and control of medium to larger administrations.
Senior Consultant 1	450	Assists with the planning and control of small to medium-sized administrations. May have the conduct of simpler administrations. Can supervise staff. Has experience performing more difficult tasks on larger administrations.
Consultant 2	405	Typically Institute of Chartered Accountants in Australia qualified chartered accountant (or similar). Required to control the tasks on small administrations and is responsible for assisting with tasks on medium to large-sized administrations.
Consultant 1	375	Qualified accountant with several years' experience. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 2	350	Typically a qualified accountant. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 1	315	Typically a university graduate. Required to assist with day-to-day tasks under the supervision of senior staff.
Treasury	300	Typically, qualified accountant and/or bookkeeper with at least 4 years' experience working in a treasury function in a professional services setting. Undertakes treasury activities and is skilled in bookkeeping, funds handling, banking, payroll, tax compliance, accounts receivable and accounts payable. May be responsible for the management of discreet, medium-complexity accounts services relating to business trade on activities.
Junior Associate	250	Undergraduate in the latter stage of their university degree.
Administration 2	250	Well developed administrative skills with significant experience supporting professional staff, including superior knowledge of software packages, personal assistance work and/or office management. May also have appropriate bookkeeping, accounting support services or similar skills.

Typical classification	Standard Rates \$/hour	General guide to classifications
Administration 1	210	Has appropriate skills and experience to support professional staff in an administrative capacity. May also have appropriate bookkeeping, accounting support services or similar skills.
Junior Accountant	210	Undergraduate in the early stage of their university degree.

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

16. Appendix 7 – Draft DOCA proposal

WAIKIKI PRIVATE HOSPITAL PTY LTD (ADMINISTRATORS APPOINTED)

DOCA PROPOSAL – CLANAY PTY LTD DATED 16 NOVEMBER 2022

Item	Details	
1 Parties	Company	Waikiki Private Hospital Pty Ltd (Administrators Appointed) ACN 164 463 521 Address: c/- FTI Consulting Central Park Level 47 152 – 158 St Georges Terrace PERTH WA 6000 Attention: Daniel Woodhouse Email: daniel.woodhouse@fticonsulting.com
	Proponent	Clanay Pty Ltd (ACN 662 831 156) Address: c/- Dr Ammar Nagree Waikiki Specialist Centre Suite 11 217 Willmott Drive WAIKIKI WA 6169 Attention: Dr Ammar Nagree, Dr Leigh Archer and Dr Cheng Yip Email: ammar@nagree.net larcher@archerzone.com chengbeeyip@gmail.com
	Voluntary Administrators	Daniel Hillston Woodhouse and Ian Charles Francis in their capacities as voluntary administrators of the Company Address: c/- FTI Consulting Central Park Building Level 47 152 – 158 St Georges Terrace PERTH WA 6000 Attention: Daniel Woodhouse Email: daniel.woodhouse@fticonsulting.com
2 Status of this Term Sheet	2.1 This Term Sheet sets out the in-principle terms and conditions of a proposed deed of company arrangement (DOCA) in respect of the Company. 2.2 This Term Sheet forms the basis of negotiations and agreements to be concluded by the relevant parties in order to formalise the relationship and principles of agreement between the parties. 2.3 The terms set out in this Term Sheet are not exhaustive and are subject to (among other things): (a) the approval of the terms of this DOCA at a second meeting of the creditors of the Company held pursuant to section 439A of the <i>Corporations Act 2001</i> (Cth) (the Act); and (b) the agreement and signing by the relevant parties of detailed legally binding documentation in respect of the proposed DOCA. The terms of this Term Sheet are non-binding. 2.4 The DOCA will include provisions that are customary to deeds of company arrangement.	

Item	Details
3 Objects of the DOCA	3.1 The objects of the DOCA are (without limitation): (a) to comply with the Act and the resolution of creditors of the Company by which the Company executes the DOCA; (b) to maximise the chance of the Company continuing in existence; (c) to retain as many of the employees of the Company as possible; (d) to ensure that the care and well-being of the patients of the hospital that is operated by the Company is maintained; and (e) to attempt to provide a greater return to the creditors of the Company than would be available to those creditors in a liquidation scenario.
4 Commencement	4.1 The operation of the DOCA will commence from the time the deed is executed by all parties to it.
5 Voluntary Administrators	5.1 The Voluntary Administrators were appointed as voluntary administrators of the Company on 21 October 2022 (Appointment Date). 5.2 If the DOCA is approved at a meeting of the Company's creditors by majority in value and in number, the Voluntary Administrators on execution of the DOCA will become the Deed Administrators of the DOCA.
6 Conditions precedent	6.1 Completion of the DOCA will be subject to the following conditions precedent: (a) the Proponent being satisfied that the amount of the SGC is less than \$1.2 million; (b) the creditors of the Company approving the proposed DOCA (or a proposal in substantially similar terms to the same) at a meeting of the Company's creditors to be convened pursuant to section 439 of the Act; (c) execution of the DOCA by all relevant parties; (d) Anthony Robinson (Current Director) being removed from the board of directors of the Company and replaced with Ammar Nagree, Leigh Christopher Archer and Cheng Bee Yip (New Directors); (e) the Proponent having received evidence to its satisfaction that either: (i) the Company will maintain its licence to conduct a private hospital pursuant to <i>Private Hospitals and Health Services Act 1927</i> (WA); or (ii) the Proponent has been granted a new licence to conduct a private hospital pursuant to the <i>Private Hospitals and Health Services Act 1927</i> (WA); and (f) the Proponent entering into a variation of lease with the landlord of the premises from which the Company operates the hospital (Landlord) on terms acceptable to it; (g) the Current Director (and any relevant entities connected to the Current Director) transferring certain plant and equipment

Item	Details
	required to conduct the business of the Company (to be nominated by the Proponent in writing) to the Proponent; (h) the Company's sole shareholder providing written consent for the transfer of his shares to the Proponent for nil consideration pursuant to s444GA(1)(b) of the Act; (i) the Proponent paying the Cash Contribution and, to the extent required, the Fund Shortfall to the Company in accordance with the terms of the DOCA; (j) the Creditors' Trust Deed being duly executed and the Creditors' Trust being created; (k) the Deed Administrators capitalising the Creditors' Trust in accordance with the terms of the DOCA; and (l) there being no regulatory intervention that restrains, prohibits or otherwise impedes the proposed transfer of the share in the Company to the Proponent. 6.2 The parties must use all reasonable endeavours to ensure that the Conditions Precedent are satisfied. 6.3 A Condition Precedent can only be waived (wholly or partly) by agreement between the Deed Administrators and the Proponent (in writing). 6.4 All of the Conditions Precedent must be satisfied by 23 December 2022 (which date may be extended by a period of up to three months by the Deed Administrators if agreed by the Deed Administrators and the Proponent in writing).
7 Trustees	7.1 The Deed Administrators will become the trustees (the Trustees) of the creditors' trust (the Creditors' Trust) following the execution of a creditors' trust deed (the Creditors Trust Deed). 7.2 The purpose of the Creditors Trust will be to enable certain tasks ordinarily undertaken by the Deed Administrators (including but not limited to, the calling for and adjudication of creditors' proofs of debt) to be performed by the Trustees of the Creditors Trust in order to: (a) facilitate the effectuation and termination of the DOCA according to its terms as efficiently as possible; and (b) allow the Company to be released from external administration and returned to the control of the New Directors as efficiently as possible.
8 Employees	8.1 As many of the existing employees of the Company as possible will continue to be employed by the Company during the term of and post completion of the DOCA (Continuing Employees) and their entitlements will be preserved and continue to be a liability of the Company following effectuation of the DOCA. 8.2 The Deed Administrators and the Proponent will ensure that the financial position of the Company immediately post completion of the DOCA is such that it can satisfy all preserved employee entitlements of the Continuing Employees. 8.3 It is possible that some employees' employment will not be able to be maintained post completion of the DOCA (Non-Continuing Employees). 8.4 For the avoidance of doubt, and for the purposes of section 444DA(1) of the Act, any eligible employee creditors will be entitled to a priority

Item	Details
	at least equal to what they would have been entitled to if property were applied in accordance with sections 556, 560 and 561 of the Act.
9 Participating Creditors	9.1 The beneficiaries of the Creditors' Trust will be the Company's unsecured creditors classified as follows (Participating Creditors): (a) A class of creditors identified as 'Employee Creditors' to comprise any Non-Continuing Employees; (b) a class of creditors identified as 'Small Key Supplier Creditors' to comprise the creditors set out at Schedule 1; (c) a class of creditors identified as 'Large Key Supplier Creditors' to comprise the creditors set out at Schedule 2; and (d) a creditor being the Landlord; (e) a class of creditors identified as 'Penalty Creditors' to comprise any creditors who have a claim that comprises penalties for non compliance by the Company; and (f) a class of creditors identified as 'Ordinary Creditors' to comprise any other creditors not listed in (a) to (e) above, including those set out in Schedule 3.
10 Available Property	10.1 A fund of a minimum amount of \$2,863,987.29 (Minimum Fund) will be available on execution of the DOCA to deliver the returns to creditors of the Company outlined in 11.2 below, comprising the following: (a) a cash component to be paid by the Proponent sufficient to repay the debt owed to the Proponent (Cash Contribution), alternatively (at the Proponent's option) the Proponent will procure the forgiveness of that debt; (b) an amount to reflect to reflect the value of the employee entitlements of any continuing employees who are terminated during the administration of the Company; (c) any net proceeds from the Deed Administrators continuing to trade the business of the Company since the Appointment Date (being the gross proceeds less the net costs of trading as determined by the Deed Administrators at their sole discretion); and. (d) such further cash amounts from the Proponent as required to ensure the Minimum Fund is received by the Company, For the avoidance of doubt, if it is determined by the Deed Administrators that the Available Property (described in cl 10.1(a) to (c) above) is unlikely to be sufficient to pay Minimum Fund, then the Proponent must pay to the Administrators, in cleared funds, the difference between the Available Property and the Minimum Fund as calculated by the Deed Administrators (Fund Shortfall), within 2 Business Days of receipt of notice from the Deed Administrators. 10.2 The Available Property will be distributed in the following order of priority: (a) first, in payment of any amounts owing by the Company to the Proponent under the Loan Facility Agreement;

Item	Details
	(b) second, an amount not exceeding \$900,000 to the Deed Administrators and Administrators for their remuneration, fees, expenses and liabilities incurred in respect of: (ii) the administration of the Company, pursuant to their appointment under section 436A of the Act; and (iii) the preparation, stamping, execution and administration of the DOCA, pursuant to the provisions of the DOCA; (c) third, a minimum amount of \$1,563,987.29 to create a fund for the purposes of the Creditors' Trust (Trust Fund) to be distributed in accordance with clause 11.
11 Trust Fund	11.1 A Creditors' Trust will be established and the trust fund (the Trust Fund) to be held by the Trustees which amount will be paid from the funds of the Company following execution of the DOCA. 11.2 The Trust Fund will be applied in the following order of priority: (a) first, to the Trustees for any amount which they are entitled to be paid or indemnified for under 443D of the Act up to a capped amount of \$50,000; (b) second, the amount of \$1.1M to the Non-Continuing Employees and priority creditors in accordance with section 556(1) of the Act to pay each of them up to \$1 for every \$1 owed on a pro rata basis; (c) third, the amount of \$11,925.57 plus any surplus from (a) to (b) above to the Small Key Supplier Creditors as is required to pay each of them up to \$1 for every \$1 owed on a pro rata basis; (d) fourth, the amount of \$155,547.72 plus any surplus from (c) above to the Large Key Supplier Creditors to pay each of them up to \$0.25 for every \$1 owed on a pro rata basis; (e) fifth, the amount of \$100,000 plus any surplus from (d) above to pay the Landlord up to \$1 for every \$1 owed on a pro rata basis; (f) sixth, the amount of \$37,500 plus any surplus from (e) above to the Penalty Creditors to pay each of them up to \$0.025 for every \$1 owed on a pro rata basis; and (g) seventh, the amount of \$109,014 plus any surplus from (e) to the Ordinary Creditors to pay each of them up to \$0.05 for every \$1 owed on a pro rata basis. 11.3 Any unclaimed moneys shall be dealt with by the Trustees in accordance with section 544 of the Act as if references in that section to the liquidators were references to the Trustees. 11.4 For the avoidance of doubt, no distributions will be made in respect of a Trust Creditor's claim unless that Trust Creditor's Claim is an Admitted Claim.
12 Effectuation of the DOCA	12.1 Upon the date of Effectuation: (a) the Deed Administrators will transfer 100% of the shares in the Company to the Proponent; (b) the Company will be released from external administration;

Item	Details
	(c) the DOCA will terminate; and (d) the Participating Creditors' claims against the Company will be released and forever extinguished, such claims being transferred to, and to be dealt in accordance with, the Creditors' Trust. 12.2 Following Effectuation of the DOCA, control of the Company will revert to the New Directors and the Deed Administrators will not have any residual obligation or responsibility for the affairs of the Company.
13 Other releases	13.1 On effectuation of the DOCA, the Company will forever release and discharge all claims, including the right of subrogation or contribution, against the Current Director.
14 Deed Administrators of the deed (powers, obligations, rights and indemnities)	14.1 The Company appoints the Deed Administrators as deed administrators of the DOCA and they will remain so appointed until the DOCA is terminated or until they are removed in accordance with the DOCA or the Act. 14.2 Subject to 14.3, during the term of the DOCA the Deed Administrators will also have the power to (amongst other things): (a) remove or appoint any officer or director of the Company as provided for under the terms of the DOCA or as otherwise agreed by the Proponent; (b) provide such information concerning the Company to the creditors of the Company as they see fit; (c) at such time, and in such manner as they see fit, gain access to the Company's books, records, or premises as they see fit, and require such information and documents as they see fit from the Company's directors, officers, and employees; and (d) do any thing necessary or convenient for the purpose of exercising their powers to administer the DOCA (including prosecuting and defending any claims in the name of the Company). 14.3 Notwithstanding regulations 5.6.11 to 5.6.73 of the Corporations Regulations (inclusive), sections 2 and 8 of Schedule 8A of the Corporations Regulations and sections 553 and 563C of the Corporations Act (Prescribed Provisions), during the term of the DOCA, the Deed Administrators will not have the power to: (a) sell, assign, transfer or otherwise dispose or part with possession of the issued share of the Company (unless the Proponent consents to such sale, assignment, transfer or disposal); or (b) raise or borrow any money in the Company's name or in their own name on behalf of the Company (unless the Proponent consents to such raising or borrowing). 14.4 The Deed Administrators will as far as reasonably practicable (and amongst other things) (a) ensure the Company's compliance with the DOCA; and (b) facilitate the establishment of a Creditors' Trust. 14.5 During the term of the DOCA and Creditors' Trust, the Deed Administrators' and Trustees' obligations are:

Item	Details
	(a) to monitor the business and financial position of the Company to ensure compliance with the DOCA and Creditors' Trust; (b) to collect, receive, safeguard and administer the Trust Fund prior to its distribution to creditors; (c) to call for and adjudicate upon creditors' proofs of debt in the manner and within the timeframe specified in the DOCA and the Creditors' Trust; (d) to distribute the Trust Fund (as defined below) to creditors in accordance with the DOCA and the Creditors' Trust; and (e) subject to clause 11.2(a), to apply the Trust Fund in payment of any fees owed to or expenses incurred by the Trustees. 14.6 In exercising the powers conferred by the DOCA and carrying out the duties arising under the DOCA, the Deed Administrators are taken to act as agents for and on behalf of the Company. 14.7 To the maximum extent permitted by law, the Deed Administrators and the Trustees shall not be personally liable for: (a) any debts incurred or claims, demands, actions, loss, damage, costs, charges, expenses or liabilities caused by act, omission or default on behalf of: (i) the Deed Administrators or the Trustees (or representatives from their firm) in administering the DOCA or the Creditors' Trust or exercising their duties under the DOCA or Creditors' Trust; and (ii) the Company; (b) any other agreements entered into by the parties on or around the date of the DOCA; or (c) any debts incurred or claims, demands, actions, loss, damage, costs, charges, expenses or liabilities suffered or sustained or incurred by any directors of the Company, officers of the Company, shareholders of the Company or creditors of the Company. 14.8 The Deed Administrators and Trustees are to be indemnified out of the assets of the Company and Trust Fund for their remuneration, fees, expenses, and liabilities (among other things). 14.9 The Deed Administrators and Trustees have a lien over the assets of the Company and Trust Fund to secure their right of indemnity under the DOCA Creditors' Trust and otherwise at law. 14.10 For the avoidance of doubt, the Deed Administrators may apply to Court in relation to the DOCA.
15 Deed Administrators' Remuneration	15.1 An amount will be made available to make a distribution to the Deed Administrators of an amount to the Deed Administrators for their remuneration, fees, expenses and liabilities incurred in respect of (among other things): (a) the administration and deed administration of the Company, pursuant to their appointment under section 436A of the Act; and (b) the preparation, stamping, execution and administration of the DOCA, pursuant to the provisions of the DOCA.

Item	Details
16 Creditors' claims	16.1 All creditors' claims will be extinguished, except for the Continuing Employees' claims.
17 Moneys available for distribution	17.1 No money or other property of the Company is available for distribution to the creditors under the DOCA.
18 Moratorium	18.1 Subject to section 444D of the Act, and the terms of the DOCA, during the term of the DOCA each creditor must not, in relation to a claim against the Company: (a) take or concur in the taking of any steps to wind up the Company; (b) join, or allow to be joined, the Company to any proceedings in which liability may be imposed on the Company (including as a concurrent wrongdoer); (c) exercise any right of set off or cross action to which the creditor would not have been entitled had the Company been wound up (with the winding up taken to have begun on the 'relevant date'); (d) institute or prosecute any legal proceedings or enforcement processes in relation to the Company or the Company's property; (e) take any further step (including any step by way of legal or equitable execution) in any proceedings pending against or in relation to the Company at execution of the DOCA; or (f) commence or take any further step in any arbitration commenced prior to the execution of the DOCA against the Company or to which the Company is a party. 18.2 During the term of the DOCA, the Company, its members, its directors and its officers must not make or proceed with any application for an order to wind up the Company or pass any resolution pursuant to section 491 of the Act and the Company's directors and officers must not act inconsistently with the terms and objects of the DOCA.
19 Taxation and superannuation liability	19.1 The Company shall at all times whilst the DOCA remains on foot ensure that all liabilities under any Commonwealth or State legislation that imposes a taxation liability on the Companies and includes but is not limited to the <i>Income Tax Assessment Act</i> 1936 and the <i>Taxation Administration Act</i> 1953 and Superannuation Legislation accruing during the period of administration and deed administration are met.
20 Bar to creditors' claims and discharge of debt	20.1 Subject to the terms of the DOCA and section 444D of the Act, the DOCA may be pleaded by the Company against any creditor in bar to the creditors' claims. 20.2 Each creditor must accept its entitlements under the DOCA in full satisfaction of any claims against the Company. 20.3 The DOCA may be pleaded as a set-off or in answer to any creditor's claim against the Company as fully and effectively as if the creditor had executed a binding covenant under seal not to sue.
21 Termination of the DOCA	21.1 This DOCA will effectuate on the date on which each of the Conditions Precedent have been satisfied (or waived) in accordance

Item	Details
	with clause 6 above, subject to the Deed Administrators' confirmation in writing (Completion Date). 21.2 This DOCA will terminate upon the earliest of any of the following: (a) the passing of a resolution under section 445E of the Act by the Company's creditors to terminate the DOCA at a meeting convened for that purpose; (b) the making of an order by the Court under section 445D of the Act terminating the DOCA; (c) the Deed Administrators, in their discretion, forming the view that there has been a material breach of the DOCA by a party other than the Deed Administrators, which is unable to be remedied within a reasonable time; and (d) the lodgement of a notice pursuant to the terms of the DOCA (and as described below). 21.3 Following: (a) the Cash Contribution and, to the extent required, the Fund Shortfall being paid by the Proponent in accordance with the DOCA; (b) completion of all other matters deemed necessary by the Deed Administrators in relation to the DOCA; and (c) satisfaction of the Deed Administrators' right of indemnity at law and pursuant to the DOCA as administrators and deed administrators, and subject to the Deed Administrators' duties and obligations under the DOCA and otherwise, the Deed Administrators may lodge a notice of termination with the Australian Securities and Investments Commission in respect of the DOCA in the form specified in the DOCA. 21.4 Where, at any meeting, the creditors of the Company resolve to terminate the DOCA and that the Company be wound up, then: (a) the DOCA is terminated as at the date of that resolution; and (b) sub-sections 446A(3), and (5) to (7) of the Act shall apply as if the Company were being wound up under section 446A of the Act. 21.5 The termination of the DOCA will not affect: (a) the previous operation of the DOCA; or (b) the enforceability of any accrued obligation under the DOCA owed to the Deed Administrators, which the liquidators may enforce as if the liquidators had been party to the DOCA at the execution of the DOCA in the place of the Deed Administrators.
22 Superannuation contribution debts	22.1 The Deed Administrators must determine that the whole of a debt by way of a superannuation contribution is not admissible to prove against the Company if: (a) a debt by way of Superannuation Guarantee Charge: (i) has been paid; or

Item	Details
	(ii) is, or is to be, admissible to prove against the Company; and (b) the Deed Administrators are satisfied that the Superannuation Guarantee Charge is attributable to the whole of the first-mentioned debt. 22.2 The Deed Administrators must determine that a particular part of a debt by way of a superannuation contribution is not admissible to prove against the Company if: (a) a debt by way of Superannuation Guarantee Charge: (i) has been paid; or (ii) is, or is to be, admissible to prove against the Company; and 22.3 the Deed Administrators are satisfied that the Superannuation Guarantee Charge is attributable to that part of the first-mentioned debt.
23 Variation	23.1 The DOCA may only be varied: (a) by a resolution passed at a meeting of the Creditors convened in accordance with Division 75-10 of the Insolvency Practice Schedule (Corporations), but only if the variation is not materially different from a proposed variation set out in a notice of meeting; and (b) with written agreement of the parties to the DOCA. 23.2 Nothing in the varied DOCA shall limit the operation of s445D and 445E of the Corporations Act.
24 Meetings	24.1 The Deed Administrators: (a) may convene a meeting of Creditors from time to time in accordance with Division 75-10 of the Insolvency Practice Schedule as defined in the Act (IPS); and (b) must convene such a meeting when required to do so under sections 75-15 or 75-20 of the IPS. 24.2 Meetings of creditors of the Company are subject to the rules set out in Division 75 of the Insolvency Practice Rules (Corporations) 2016 (Cth), with such modifications as are necessary, to meetings of creditors held under this deed as if references to the 'external administrator' or chairperson, as the case may be, were references to the Deed Administrators.
25 DOCA to supersede	25.1 The terms of the DOCA will supersede this proposal.
26 Governing law of Transaction Documents	26.1 The laws of Western Australia apply and the parties submit to the exclusive jurisdiction of the courts in that State.

Schedule 1 – Small Key Supplier Creditors

No.	Creditor name
1.	BHPlumbing & Gas
2.	Complete Refrigeration & Air
3.	Clinipath Pathology
4.	Endomed Pty Ltd
5.	Essential Power Services
6.	Grange Pharmacy
7.	Hands on Infection Control
8.	Innovative Medical Solutions
9.	WA Calibrations

Schedule 2 – Large Key Supplier Creditors

No.	Creditor name
1.	Alcon Laboratories
2.	Alsco Pty Ltd
3.	AMA Services WA Pty Ltd
4.	Ambu Australia Pty Ltd
5.	AMO Australia Pty Ltd
6.	Applied Medical
7.	Avacare Australia Pty Ltd
8.	B.Braun Australia
9.	Bard Australia Pty Ltd
10.	Baxter Healthcare
11.	Bidfood WA
12.	BOC Limited
13.	Boston Scientific Pty Ltd
14.	Brownes Foods Operations Pty Ltd
15.	C R Kennedy & Co
16.	CK Surgitech Pty Ltd
17.	Cleanaway Daniels Services Pty Ltd
18.	Clifford Hallam Healthcare
19.	Clinical Innovations Aust
20.	Compu-stor
21.	Computing Australia
22.	Conmed Linvatec
23.	Cook Medical Australia Pty Ltd
24.	De Soutter Medical Australia Pty Ltd
25.	Device Technologies
26.	Draeger Medical Australia Pty Ltd
27.	EBOS Group
28.	Ecolab Pty Limited
29.	Edwards Lifesciences
30.	Endotherapeutics Pty Ltd
31.	Fairmont Medical Products Pty Ltd
32.	Getinge Australia Pty Ltd
33.	Hologic (Australia)
34.	Johnson & Johnson
35.	Medical Sales & Service
36.	Medtronic
37.	Optimed Technologies Pty Ltd
38.	Suez Environment Veolia
39.	Sunlong Fresh foods Pty Ltd
40.	Teleflex Medical Australia
41.	The OR Company Pty Ltd
42.	Vyaire Medical Pty Ltd
43.	W.L. Gore & Associates
44.	WINC Australia Pty Ltd

Schedule 3 – Ordinary Creditors

No.	Creditor name
1.	3M Australia Pty Ltd (BPAY)
2.	Accord Security
3.	ActiveTec Solutions
4.	Altura Health (Direct Debit)
5.	Amco Industries
6.	Bunzl Australia
7.	Cannon Hygiene
8.	Cantel Medical*
9.	Carl Zeiss Pty Ltd
10.	CCR Commercial
11.	Cellmed
12.	Chamber of Commerce
13.	Chubb Fire and Security
14.	Day Hospitals Australia
15.	Denyers International
16.	Designed To Stick
17.	DFES
18.	Douglas Bean (Australia) PL
19.	Dunbar Services (WA) P/L
20.	Essential Power Services
21.	G&P Medical
22.	GE Healthcare
23.	Getz Healthcare
24.	GTZ Enterprising
25.	Hancock Family Trust
26.	Heaton Instrumedics
27.	Helix Solutions
28.	Hipac Healthcare Pty Ltd
29.	Horten Medical
30.	In Vitro Technologies Pty Ltd
31.	Karl Storz Endoscopy Australia Pty Ltd
32.	Landauer Australasia
33.	Life Ready Physio & Pilates Rockingham Pty Ltd
34.	Lifehealthcare Distribution Pty Ltd
35.	Medline International Two Australia Pty Ltd
36.	Minuteman Press
37.	Mx Solutions Australia
38.	Olympus Australia
39.	Our Kloud Billing Pty Ltd - Ok Billing
40.	Pacific Health Care P/L
41.	PathWest Laboratory Medicine WA - Infection Control
42.	PathWest Laboratory Medicine WA - Pathology
43.	Personal Protection Plus
44.	Perth Scientific P/L
45.	Precise Medical Supplies
46.	Quality Bakers Australia P/L
47.	Relationship Australia
48.	Seek Limited (*RTS*)
49.	Smith & Nephew
50.	South Metropolitan Health
51.	SurgiTools Pty Ltd
52.	Synergy

No.	Creditor name
53.	Telstra
54.	The Vacuum Doctor
55.	Thermo Fisher Scientific Australia Pty Ltd
56.	TOLL TRANSPORT
57.	West Coast Dental Depot
58.	Western Medical Supplies
59.	Whiteley Corporation P/L
60.	Williams & Hughes

17. Appendix 8 – Actions to date

17.1. Actions to date

In the period since our appointment, we have:

- Continued to operate the business on a “business-as-usual” basis to assess options available for either a sale or recapitalisation.
- Notified all suppliers and applicable statutory bodies of our appointment.
- Secured interim funding and support from Clanay to continue operations and to undertake the Transaction Process.
- Opened new accounts with the Company’s suppliers as required for ongoing trade during the voluntary administration.
- Setup trading protocols and a purchase order system with the Company’s procurement and accounts payable staff.
- Communicated extensively with the Company’s suppliers (and internal procurement staff) concerning supply, orders and account balances.
- Negotiated positions with a range of critical suppliers where claims to assets were asserted, allowing those assets to continue to be used in the business.
- Engaged with our insurance broker to secure ongoing insurance cover through the administration.
- Prepared a cash flow forecast and closely monitored the cash position throughout the administration.
- Held meetings with the Company’s staff to keep them apprised of developments in the administration and the likely way forward.
- Liaised with Westpac to recover debtor receipts incorrectly paid into the Director’s personal bank account.
- Publicly advertised the business for sale on a number of occasions in both the Australian Financial Review and the West Australian.
- Prepared a range of marketing materials for consideration by interested parties, including an investment flyer, information memorandum and virtual data room.
- Compiled a list of likely interested parties and introduced the opportunity to them.
- Responded to queries from interested parties and attended numerous telephone conferences to discuss the transaction opportunity.
- Engaged with Clanay extensively to discuss their interest in the business and the formulation of their DOCA proposal.
- Prepared a calculation of outstanding employee entitlements, including contingent entitlements such as redundancy and pay in lieu of notice, for use in this report.
- Undertaken preliminary investigations into the financial circumstances of the Company prior to our appointment and identified potential antecedent transactions and offences warranting further investigation, should a liquidator be appointed.

- Attended to our statutory obligations, including holding the first meeting of creditors on 2 November 2022
- Prepared this report.

17.2. Other actions taken to date

Since our appointment we have also:

- Notified all creditors and applicable statutory and Government bodies of our appointment.
- Placed insurance cover over the Company's assets.
- Written to all creditors, employees and those with security interests registered on the PPSR.
- Reviewed the available books and records and other information concerning the Company in order to identify whether there are any voidable transactions or other circumstances where money or property may be recoverable for the benefit of creditors. The findings of our investigations are outlined in section 6.
- Further details of specific tasks undertaken are included in our Remuneration Approval Report at **Appendix 6**.

18. Appendix 9 – Information about creditors' trusts

18.1. Introduction on creditors' trusts

- A creditors' trust in a DOCA is a mechanism that is used to accelerate a company's exit from external administration.
- Under a DOCA, creditors' rights are regulated by both the terms of the DOCA and the provisions of the Act (which deal with such matters as the right of creditors to appeal against a rejection of a proof of debt).
- Under the Creditors' Trust, the Deed Administrators will be the Trustees of the Creditors' Trust. Once the DOCA is fully effectuated, creditors will no longer have rights against the Company or the DOCA but their claims transform from that of creditors to one of a beneficiary under the Creditors' Trust. The Creditors' Trust is not governed by the Act but trust law.
- The use of a creditors' trust involves potential risks and disadvantages when compared with the Company remaining subject to a DOCA. We explain those potential risks and disadvantages below.
- We also provide the additional information required by ASIC in accordance with Regulatory Guide 82 entitled "External Administrations: Deeds of company arrangement involving a creditors' trust". A copy of the regulatory guide is available from the ASIC website at <https://download.asic.gov.au/media/4966380/rg82-published-17-december-2018.pdf> or from FTI Consulting on request.

18.2. Risks and disadvantages

The Trustees will have a limited role under the Creditors' Trust. Their role is to:

- adjudicate and make a final determination on claims; and
- distribute the Creditors' Trust Fund to priority and ordinary creditors.

In those circumstances, and for the reasons set out below, the Administrators do not consider any potential risks associated with the proposed Creditors' Trust will have a material adverse effect on creditors in this case.

The risks of a creditors' trust compared to a company remaining subject to a DOCA can include:

- Creditors' claims against a company may be extinguished before the amount available for distribution to creditors has been ascertained. In this case, however, claims against the Company will be preserved in the DOCA until the creditor's trust fund is determined and the trust established.
- Creditors' claims against a company may be extinguished before all or some of the trust funds are received. In this case, the funding for the creditors trust will be received from Clanay by the Trustees prior to extinguishment of the creditors' claims against the Company. In addition, upon extinguishment of the claims against the Company, new rights are created, as beneficiaries under the Creditors' Trust.
- The trustees may not have any right to terminate or vary the DOCA should the company not perform its contractual obligations under the DOCA. In this case, all contractual obligations of the Company under the DOCA will be fulfilled prior to the creation of the Creditors' Trust.

- Creditors forgo their statutory rights under the Act to seek the assistance of the Court, including the right to seek orders to terminate or vary the DOCA and to appeal against the adjudication of claims. Creditors do however have rights as beneficiaries under the Trustees Act 1962 (WA) ("**Trustees Act**") and as outlined in the DOCA proposal, the Trustees will have the power to convene a meeting of beneficiaries to vary the Trust.
- Creditors may agree to the DOCA proposal without being aware of the implications of a creditors' trust. In this case, this report provides disclosure of material information about the DOCA and the Creditors' Trust.
- The additional complexity of the legal and documentary arrangements needed to support the use of a creditors' trust under a DOCA. This report provides disclosure of the legal and documentary information about the DOCA and the Creditors' Trust.
- The trustees' identity, skills, remuneration and insurance arrangements may not be commensurate with those of a deed administrator; these factors are addressed in the table below. For the reasons set out in the table, we do not believe the Trustees' identity, skills, remuneration and insurance arrangements pose a risk to creditors.
- Differences in the ways trustees and registered liquidators are regulated and supervised, which may cause potential difficulties for ASIC and creditors to monitor and enforce proper conduct of the trustee. In a DOCA, creditors have the right to seek ASIC or court assistance under the Act. In a creditors' trust, the creditors (as beneficiaries) would not have those statutory rights and instead would have rights under the trust deed, in law or in equity. As the proposed Trustees are registered liquidators, creditors will still be able to seek assistance from ASIC and the supervisory jurisdiction the Court has over trustees. Accordingly, we do not believe this difference creates a material risk for creditors.

Item	Detail
Reasons for the Creditors' Trust	The Creditors' Trust is required to: 1. Expedite the return of the Company to trading without the stigma of the administration process. Placement of the Company into administration has potentially impacted trading performance. The Proponent has structured the transaction via a Creditors' Trust to minimise any further impact to trading performance. 2. Enable control of the Company to pass to its new governance structure; and 3. Provide the Company the best prospect of negotiating a return to usual trading terms with suppliers. The DOCA is conditional upon a Creditors' Trust and, on the information currently available, it is the best proposal for all creditors of the Company.
Key events	If creditors vote in favour of the DOCA proposal at the Second Meeting: 1. Within 15 business days of the second meeting of creditors, a DOCA and a trust deed which conform materially to the DOCA proposal, will be executed; 2. The Deed Administrators and the Proponent will address the conditions precedent to the transaction, including: a. The granting of the licence(s) by LARU required in order to operate the private hospital post-DOCA by the Proponent, or the maintenance of the Company's current licence to conduct a private hospital;

Item	Detail
	b. The Director being removed from the Company's board of directors and replaced with Ammar Nagree, Leigh Christopher Archer and Cheng Bee Yip ("New Directors"); c. Negotiation of the lease for the premises from which the Company operates the hospital on terms acceptable to it; d. The transfer by the Director of certain plant and equipment used in the hospital; e. The Proponent paying the CashContribution to the Company in accordance with the terms of the DOCA; f. The Deed Administrators determining the level of superannuation guarantee charge's outstanding to current and former employees, with such amounts outstanding being limited to less than \$1,200,000; g. The Deed Administrators obtaining leave of the Court pursuant to section 444GA of the Act to transfer the shares in the Company to the Proponent (or its nominee); h. A Creditors' Trust deed being executed and a Creditors' Trust created; i. The Deed Administrators capitalising the Creditors' Trust in accordance with the terms of the DOCA; and j. No regulatory restraints that prevent the s 444GA share transfer. 3. The Proponent will make payment of the funding required to establish the Deed Fund; 4. Once funding for the creditor's trust has been received from the Proponent, the DOCA will be effectuated, the Creditors' Trust will be settled, and the Deed Administrators will become the Trustees of the Creditors' Trust; 5. The Deed Fund will be transferred to the Trustees of the Creditors' Trust and will become the Creditors' Trust Fund. The Trustees will hold the Creditors' Trust Fund in accordance with the terms of the trust deed; 6. Following effectuation of the DOCA, the Company will no longer be subject to external administration and will not be required to use the notification 'Subject to Deed of Company Arrangement' on public documents; 7. Upon effectuation of the DOCA and the creation of the Creditors' Trust, the claims of all participating creditors who are bound by the DOCA will be converted from a claim against the Company and a right to prove as creditor in the DOCA, to the right to participate as a beneficiary of the Creditors' Trust. The effect being all creditors' rights against the Company are released and creditors' only recourse are as a passive beneficiary of the Creditors' Trust; 8. As soon as practicable, dividends will be paid to admitted priority and ordinary creditors, unless any creditor appeals the adjudication of its submitted POD. Any dividend payment may be delayed if an appeal is commenced against an adjudication; and 9. On payment of the final dividend, the Creditors' Trust will then be dissolved.

Item	Detail
Return to creditors	The Creditors' Trust will be established from the funds received from Clanay. At present, the funds will be received upon execution of the DOCA, with the anticipated value of the Creditors' Trust fund being approximately \$2.86m. The forecast return to creditors under the Creditors' Trust is discussed in section 0 of this report. Upon execution of the DOCA, the funds from the Creditors' Trust will be distributed in the following order of priority: 1. to the Trustees, for any amount which they are entitled to be paid or indemnified for under 443D of the Act up to a capped amount of \$50,000; 2. the amount of \$1,100,000 to the Non-Continuing Employees and priority creditors in accordance with section 556(1) of the Act to pay each of them up to \$1 for every \$1 owed on a pro rata basis; 3. the amount of \$11,926 plus any surplus from Pool A and Pool B to the Small Key Supplier Creditors as is required to pay each of them up to \$1 for every \$1 owed on a pro rata basis; 4. the amount of \$155,548 plus any surplus from Pool C to the Large Key Supplier Creditors to pay each of them up to \$0.25 for every \$1 owed on a pro rata basis; 5. the amount of \$100,000 plus any surplus from Pool D to pay the Landlord up to \$1 for every \$1 owed on a pro rata basis; 6. the amount of \$37,500 plus any surplus from Pool E to the Penalty Creditors to pay each of them up to \$0.025 for every \$1 owed on a pro rata basis; 7. the amount of \$109,014 plus any surplus from Pool F to the Ordinary Creditors to pay each of them up to \$0.05 for every \$1 owed on a pro rata basis.
Trustee particulars	The Administrators will be the Trustees of the Creditors' Trust. The Administrators are registered liquidators and have the relevant skills and experience to perform the required duties and functions as trustees of Creditors' Trusts. The Administrators consider there is no conflict of interest in them acting as Trustees and they have adequate civil liability insurance (including professional indemnity and fidelity) which will cover conduct by them in their capacity as Trustees of the Creditors' Trust. ASIC has certain supervisory powers (including the power to direct a registered liquidator to do certain things and disciplinary powers) in relation to the conduct of the Trustees. The Administrators will require any replacement trustee (if required) to also be a registered liquidator.
Remuneration and costs	The Creditors' Trust will provide for payment of the following from Creditors' Trust Funds in priority to any distribution to creditors: 1. Any approved remuneration owing to the Deed Administrators and the Administrators which remains unpaid as at the date of the DOCA being terminated and the Creditors' Trust coming into effect. 2. Remuneration and costs due to the Trustees. The Trustees' remuneration will be based on the hours spent by the Trustees, calculated in accordance with the FTI Consulting Standard Rates effective 1 July 2022, which is enclosed as Schedule 4 of the Remuneration Approval Report found in Appendix 8 of this report. We have estimated the remuneration and costs of the Trustees to be approximately \$50,000. This estimate assumes the adjudication of creditor claims does not require litigation

Item	Detail
	or protracted negotiations and the distributions from the Creditors' Trust Fund occur in the timeframes proposed. It is not possible to estimate the quantum of Trustee fees which may otherwise be incurred. We do not consider additional professional fees will be incurred as a result of the use of the Creditors' Trust, compared with the position if the Company remains subject to DOCA. In a DOCA, the Deed Administrators' remuneration must be agreed by the committee of inspection or approved by resolution of creditors or by the Court. A creditor (among other parties) may apply to the Court to review the remuneration. In a Creditors' Trust, there is no equivalent statutory procedure in the Trustees Act pursuant to which beneficiaries, the Committee of Creditors or the Court must agree or approve the Trustees' remuneration. A beneficiary can seek to review or challenge the Trustees' remuneration by application to the Supreme Court of Western Australia.
Indemnities	The Creditors' Trust will provide the Trustees are entitled to be indemnified out of the Creditors' Trust Fund for all actions, suits, proceedings, accounts, claims and demands arising out of or relating to the Administration, DOCA or Creditors' Trust which may be commenced, incurred by or made on the Trustees by any person and against all costs, charges and expenses incurred by the Trustees in respect of them, provided the Trustees shall not be entitled to an indemnity in respect of any liabilities or demands to the extent the indemnification contravenes the Act or the Trustees Act or if the Trustees, or any partner, employee, authorised agent or delegate of the Trustees have acted negligently, in breach of fiduciary duty or in breach of trust. Accordingly, fees and costs of the Trustees, and costs associated with any legal actions which are required to be defended or taken will be a cost of the Creditors' Trust Fund. These fees and costs may diminish the return to creditors. Given the Trustees' limited role (being to adjudicate claims and distribute the Trust Fund) we do not envisage any material legal actions. The indemnity is continuing and takes effect from the commencement date of the Creditors' Trust. No other indemnity has been or is to be provided to the Trustees by any related or third party.
Powers	The Trustees will have all the powers of a natural person or a corporation in connection with the exercise of their rights and compliance with their obligations under the Creditors' Trust. The Trustees may exercise their rights and comply with their obligations under the Creditors' Trust in any manner they think fit. A deed administrator is governed by the Act whilst a trustee is governed by the Trust Deed and the Trustees Act. The proposed role of the Trustees here is limited to calling for and adjudicating on claims and distributing the Creditors' Trust Funds. The Administrators will require the Trust Deed to incorporate the same powers which would usually apply to a Deed Administrator. There are unlikely to be any deficiencies in the power of the Trustees to perform their limited functions, which may lead to applications to Court.
Claims of priority and ordinary creditors	The claims of priority and ordinary creditors will be dealt with in accordance with the terms of the DOCA and the Creditors' Trust. The values of the claims are to be determined by the Trustees. The Trustees will have unrestricted and free access to all the books and records of the Company necessary to determine claims. The creditors' priorities (as beneficiaries of the trust) will follow the priorities set out in section 556 of the Act, subject to the terms of the DOCA.

Item	Detail
Other creditor / beneficiary differences	Upon creation of the Creditors' Trust all participating creditors' claims which were bound by the DOCA will be converted from claims against the Company and a right to prove as creditors in the DOCA to the right to participate as a beneficiary of the Creditors' Trust. The effect of this is all creditors' rights against the Company are extinguished and creditors' only recourse is as a passive beneficiary of the trust fund. Creditors' rights in an external administration are set out in the Act. Beneficiaries under a creditors' trust do not have equivalent rights under the Act. Creditors' rights are determined by the trust deed and the Trustees Act. The Creditors' Trust provides some differences for creditors compared to a DOCA, which include: 1. Any appeal to the Trustees' decision to reject a claim must be made within 14 days of the Trustees giving notice of rejection, or such longer period as the Trustees permit. In a liquidation, the Act (Regulation 5.6.54(1)(b)(i)) stipulates the appeal must be made within 14 days of the liquidator giving notice of rejection, or such longer period as the court permits. Beneficiaries of a creditors' trust do not have statutory powers to call creditor meetings like they do in a DOCA. However, the Trust Deed will stipulate the requirements of the Act and Regulations relating to creditors' meetings, and the ability of the creditors to require a meeting to be held, will also apply to the Creditors' Trust. 2. In a DOCA, creditors have rights to call a meeting of creditors, or apply to the court to vary or terminate the DOCA. In a creditors' trust, creditors do not have this right. However, the Trust Deed will stipulate the requirements of the Act and Regulations relating to creditors' meetings, and the ability of the creditors to require a meeting to be held, will also apply to the Creditors' Trust. 3. Beneficiaries of the Creditors' Trust will have the same ability to report the conduct of the Trustees to ASIC as they would in a DOCA, as the Trustees are registered liquidators. We do not consider these differences will have a material adverse effect on creditors.
Fair Entitlements Guarantee ("FEG")	The DOCA proposal contemplates the full payment of outstanding employee entitlements owed to the Company's employees. Current and former employees should note effectuation of the DOCA will prohibit their ability to access the FEG scheme for any outstanding entitlements, in particular leave and retrenchment. In a liquidation scenario, eligible employees would have access to the FEG Scheme operated by the Attorney-General's Department. This scheme operates as a legislative safety net of last resort and allows for the payment of outstanding employee entitlements, excluding superannuation and subject to certain exceptions detailed in the <i>Fair Entitlements Guarantee Act 2012</i> (Cth). Through the DOCA and Creditors' Trust, a return is anticipated for outstanding superannuation, which is not covered by the FEG scheme. Continuing employees will retain their leave and retrenchment entitlements with the Company through the DOCA and Creditors' Trust.
Compliance opinion	The Proponent of the DOCA is an entity unrelated to the Company. The Administrators also understand that the Proponent's contribution to the Deed Fund is being provided from existing cash resources and that no debt is required to facilitate the transaction.

Item	Detail
	Based on the information provided by the Proponent, the Administrators consider the Proponent is capable of complying, and is likely to comply with its obligations to the Deed Administrators and Trustees, if the DOCA proposal is approved by creditors.
Solvency statement	The Deed Administrators have formed the opinion the Company will be solvent at the date of effectuation of the DOCA, if the DOCA is wholly effectuated on the terms proposed, as all claims of creditors will be extinguished against the Company and will be transferred to the Creditors' Trust. Based on representations made by the Proponent, we consider sufficient resources are available for ongoing viable trading.
Tax (company / trust)	The creation of a creditors' trust creates the potential for some taxation issues to arise, as compared to an ordinary DOCA proposal. These may mean the funds available to creditors are reduced in order to account for any taxation liabilities associated with the administration of the distribution process under a trust structure. The Trustees will ensure the DOCA provides for the costs of any forecast taxation liability to be paid into the Deed Fund. We do not expect there will be any material changes to the funds available for distribution as a result of the Creditors' Trust structure, or any taxation, capital gains or stamp duty liabilities will arise.
Tax (creditor / beneficiary)	There may be some implications for admitted creditors as a result of receiving a distribution from a trust in respect of a bad or doubtful debt, rather than from the debtor company being administered under a DOCA. Creditors are advised to seek their own tax advice as to their particular tax position. The Administrators are unable to provide advice on this issue.
Other	We have not identified any other material aspects or implications of the Creditors' Trust.

19. Appendix 10 – Details and Notices for Second Meeting

DETAILS AND NOTICES FOR THE SECOND MEETING OF CREDITORS

NOTICE OF THE SECOND MEETING OF CREDITORS OF COMPANY UNDER ADMINISTRATION

The agenda for the meeting is set out in the notice.

This meeting is being held virtually. If you or the person you have appointed is intending on accessing the meeting virtually, you must complete the enclosed meeting attendance forms.

If you have any queries regarding registering your attendance for the second meeting, please contact the Administrators office on (08) 9321 8533.

FORM - APPOINTMENT OF PROXY

This form should be completed if you intend to appoint another person to act on your behalf at the meeting, or if you are a corporate creditor.

FORMAL PROOF OF DEBT OR CLAIM FORM

This form allows you to tell us what you are owed by the Company. You must send us a completed form if you wish to vote at the meeting, if you have not already provided one to the Administrators.

Return to:

Conor Robson

FTI Consulting

Email: conor.robson@fticonsulting.com

Post: FTI Consulting, PO Box Z5486, PERTH WA 6831

NOTICE OF SECOND MEETING OF CREDITORS OF THE COMPANY UNDER ADMINISTRATION

**WAIKIKI PRIVATE HOSPITAL PTY LTD (ADMINISTRATORS APPOINTED)
ACN 164 463 521 ("COMPANY")**

Notice is now given that the second meeting of creditors of the Company will be held at 12:00PM (AWST) on Thursday, 24 November 2022. The meeting is being held virtually and all creditors wishing to attend the meeting are required to register their attendance with the Administrators. Once registration is confirmed, virtual meeting details will be 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 47, 152-158 St Georges Terrace, PERTH WA 6000. PLEASE DO NOT ATTEND AT THIS LOCATION.

AGENDA

1. The purpose of the meeting is:
 - a) to review the report of the Administrators and their recommendation in connection with the business, property, affairs and financial circumstances of the Company; and
 - b) for the creditors of the Company to resolve:
 - i) that the Company execute a deed of company arrangement; or
 - ii) that the administration should end; or
 - iii) that the Company be wound up.

Or in the alternate

 - iv) That the second meeting of creditors be adjourned for a period not longer than 45 business days.
2. Creditors will be requested to fix the remuneration to be paid to the Administrators, as calculated on a time basis for the period 21 October 2022 to 13 November 2022 (inclusive).

3. Creditors will be requested to fix the remuneration to be paid to the Administrators, as calculated on a time basis for the period 14 November 2022 to conclusion of the administration (inclusive).
4. If the Company enters into a Deed of Company Arrangement, the Deed Administrators will seek to have creditors resolve to fix the future remuneration of the Deed Administrators.
5. If the Company enters into a Deed of Company Arrangement, the Trustees of the Waikiki Private Hospital Creditors Trust will seek to have creditors resolve to fix the future remuneration of the Trustees.
6. If the Company is placed into liquidation, the Liquidators will seek to have creditors resolve to fix the future remuneration of the Liquidators.
7. If the Company is placed into liquidation, to consider the appointment of a Committee of Inspection and if required, to determine the members; and
8. Any other business properly brought before the meeting.

Creditors wishing to vote at the meeting:

- Who are attending the meeting virtually, must complete and return the Notice of Attendance – Meeting Registration Form;
- who will not be attending the meeting virtually or are a company, must complete and return an Appointment of Proxy Form (attached); and
- must complete and return a Formal Proof of Debt or Claim Form (attached) if not already done so,

by no later than 12:00pm (AWST) on the last business day prior to the meeting, by email to conor.robson@fticonsulting.com or via post to FTI Consulting, PO Box Z5486, PERTH WA 6831.

Dated this 16th day of November 2022



Daniel Woodhouse

Joint and Several Administrator

C/- FTI Consulting

Level 47, Central Park

152-158 St Georges Terrace

Perth, WA 6000

NOTICE OF ATTENDANCE – MEETING REGISTRATION FORM

SECOND MEETING OF CREDITORS

WAIIKI PRIVATE HOSPITAL PTY LTD (ADMINISTRATORS APPOINTED)

ACN 164 463 521 (“COMPANY”)

Attendance

Attendance at this meeting is not compulsory.

Should you wish to attend the meeting and you would like to vote, you **must** complete the following registration details and return to our offices **by 12:00pm AWST Wednesday, 23 November 2022** to conor.robson@fticonsulting.com or via post to FTI Consulting, PO Box Z5486, PERTH WA 6831.

Name of Creditor:	
Contact Name:	
Position:	
Email Address:	
Contact Number:	

Signature of Creditor (or person authorised by creditor)

Once you have returned this completed form, you will be provided by email with instructions and a link to the meeting.

Please also ensure you have lodged a Proof of Debt Form and Proxy Form (if applicable), otherwise you may only be an observer at the meeting and you will be unable to vote.

FORM - APPOINTMENT OF PROXY

WAIKIKI PRIVATE HOSPITAL PTY LTD (ADMINISTRATORS APPOINTED)
ACN 164 463 521 ("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 24 November 2022 or at any adjournment of that meeting.

Option 1: If appointed as a general proxy, as he/she determines on my/our behalf. ☐

AND/OR Option 2:

If appointed as a special proxy for some or all resolutions, specifically in the manner ☐
 set out below (**please tick**).

Voting instructions - for special proxy only	For	Against	Abstain
Resolution			
1. That the Company:			
i. that the Company execute a deed of company arrangement; or	☐	☐	☐
ii. that the administration should end; or	☐	☐	☐
iii. that the Company be wound up.	☐	☐	☐
Or in the alternate			
iv. that the second meeting of creditors be adjourned	☐	☐	☐
2. That the remuneration of the Voluntary Administrators of Waikiki Private Hospital Pty Ltd (Administrators Appointed) from 21 October 2022 to 13 November 2022 (inclusive) be calculated on a time basis at the hourly rates set out in the Schedule of FTI Consulting standard rates effective 1 July 2022, and is determined and approved for payment in the amount of \$367,938.00 plus GST, to be drawn from available funds immediately or as funds become available.	☐	☐	☐

3. That the remuneration of the Voluntary Administrators of Waikiki Private Hospital Pty Ltd (Administrators Appointed) from 14 November 2022 to 24 November 2022 (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Voluntary Administrators, calculated on a time basis at the hourly rates set out in the Schedule of FTI Consulting standard rates effective 1 July 2022, up to a capped amount of \$150,000 plus GST, to be drawn from available funds immediately or as funds become available.	☐	☐	☐
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If creditors resolve that the Company execute a DOCA

4. That the remuneration of the Voluntary Administrators of Waikiki Private Hospital Pty Ltd (Administrators Appointed) from 25 November 2022 to execution of the Deed of Company Arrangement (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Voluntary Administrators, calculated on a time basis at the hourly rates set out in the Schedule of FTI Consulting standard rates effective 1 July 2022, up to a capped amount of \$140,000 plus GST, to be drawn from available funds immediately or as funds become available.	☐	☐	☐
5. That the future remuneration of the Deed Administrators of Waikiki Private Hospital Pty Ltd from the commencement to conclusion of the deed administration (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Deed Administrators, calculated on a time basis at the hourly rates set out in the Schedule of FTI Consulting standard rates effective 1 July 2022, up to a capped amount of \$100,000 plus GST, to be drawn from available funds immediately or as funds become available.	☐	☐	☐
6. That the future remuneration of the Trustees of Waikiki Private Hospital Creditors Trust from the commencement to conclusion of the Creditors Trust (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Trustees, calculated on a time basis at the hourly rates set out in the Schedule of FTI Consulting standard rates effective 1 July 2022, up to a capped amount of \$50,000 plus GST, to be drawn from available funds immediately or as funds become available.	☐	☐	☐

If creditors resolve to wind up the Company

7. That the future remuneration of the Liquidators of Waikiki Private Hospital Pty Ltd for the period 24 November 2022 to conclusion of the liquidation (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Liquidators, calculated on a time basis at the hourly rates set out in the Schedule of FTI Consulting standard rates effective 1 July 2022, up to a capped amount of \$350,000 plus GST, to be drawn from available funds immediately or as funds become available.	☐	☐	☐
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8. Whether a Committee of Inspection be appointed, and if so, who are to be the Committee of Inspection members.	☐	☐	☐
9. That pursuant to Section 70-35 of the Insolvency Practice Schedule, the Liquidators be authorised to destroy the books and records of the Company, 3 months after the deregistration of the Company, but subject to the consent of the Australian Securities and Investments Commission.	☐	☐	☐

*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:

FORM 535 – FORMAL PROOF OF DEBT OR CLAIM

WAIKIKI PRIVATE HOSPITAL PTY LTD (ADMINISTRATORS APPOINTED)

ACN 164 463 521 ("THE COMPANY")

To the Administrators of Waikiki Private Hospital Pty Ltd (Administrators Appointed) ACN 164 463 521 ("the Company")

1. This is to state that the Company was on 21 October 2022, 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
	<i>(state how the debt arose)</i>		<i>(include details of voucher substantiating payment)</i>

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
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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 Administrators)

GUIDANCE NOTES FOR COMPLETING PROXY AND PROOF OF DEBT OR CLAIM FORMS

FORM - APPOINTMENT OF PROXY

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

If the creditor 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 2001* ("the Act"). Alternatively, the appointed person must be authorised to act as a representative for the company per section 250D of the 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.

INFORMAL PROOF OF DEBT OR CLAIM FORM

The proof of debt submitted during an Administration is informal in that it does not mean that the Administrator has agreed with your proof for the purpose of making a dividend distribution.

It is used for voting purposes at any meetings of creditors and also to help establish the overall level of creditor claims in the administration. In the event that there are monies to be distributed to creditors in the future, you will need to submit a Formal Proof of Debt or Claim form.

You should include a description of how your debt/claim arose, whether you are claiming a security interest in property and if you have any guarantees and indemnities for the debt. If you need more space, you can attach any additional details you wish to include – just make sure that you mention this on the Form so we know what you've attached and how many pages.

You should provide supporting documents that substantiate what you are owed by the Company. This may include things like account statements, unpaid invoices and their corresponding purchase orders, PPSR registration, agreements/terms of trade, contracts, lease or hire agreements, court order or judgment, guarantee or loan document, emails/other correspondence with the Company.

If you need help in completing the forms or if you are uncertain what information you should attach, please email or telephone the nominated FTI Consulting contact person.