



DEM AUSTRALASIA

## INITIAL REMUNERATION ADVICE TO CREDITORS

### KUPANG RESOURCES LIMITED (ADMINISTRATOR APPOINTED)(RECEIVERS AND MANAGERS APPOINTED)

ACN 098 773 785

("THE COMPANY")

#### Remuneration Methods

There are four basic methods that can be used to calculate the remuneration charged by an Insolvency Practitioner:

1. **Time based / hourly rates** - This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.
2. **Fixed fee** - The total fee charged is normally quoted at the commencement of the administration and is the total cost for the administration. Sometimes a practitioner will finalise an administration for a fixed fee.
3. **Percentage** - The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of assets realisations.
4. **Contingency** - The practitioner's fee is structured to be contingent on a particular outcome being achieved.

#### Method Chosen

Given the nature of this administration I propose that remuneration be calculated on a time basis. This is because:

- This method provides a fair reflection of the value of the work performed on the matter.
- The amount charged can be substantiated by a computer print-out of time costing.
- The different levels of experience, expertise and skills of those performing tasks are recognised.
- It is too difficult to plan for all of the variables involved with such a matter, many of which are outside of my control, to be able to rely on the fixed fee basis. I am not in a position, at present, to estimate with any certainty the total fees necessary to complete all tasks for this matter.
- It is the most common method.

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LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION PAGE 1



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- Creditors can be assured that fees are charged for work that is actually performed. Time is recorded and charged in six (6) minute increments.
- Insolvency appointments involve tasks not directly related to the sale or recovery of assets, such as reporting to creditors and statutory authorities, interviewing directors etc.

## Explanation of Hourly Rates

### Initial Remuneration Advice to Creditors

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

Title	Description	Hourly Rate (excl. GST)
Appointee / Principal	Official or Registered Liquidator or Director of DEM Australasia Pty Limited	\$650
Appointee / Director	Registered or Official Liquidator with over 10 years experience. Capable of controlling all aspects of an assignment	\$600
Director	More than 10 years experience. Qualified and capable of controlling all aspects of an assignment	\$525
Senior Manager	Typically CA or CPA qualified. 8+ years' insolvency experience. Capable of controlling all aspects of an insolvency appointment	\$450
Manager	Typically CA or CPA qualified. 6+ years' insolvency experience. Controls all allocated insolvency tasks. Well-developed technical & commercial skills	\$430
Supervisor	Typically CA or CPA qualified. 4 to 6 years' experience. Plans and controls medium to larger appointments. Reports to manager	\$360
Senior	Typically 2 to 4 years' experience. CA or CPA program commenced or completed. Required to control and or assist on the fieldwork for insolvency appointments. Reports to supervisor / manager	\$320
Intermediate	Typically up to 2 years' experience. Required to assist on fieldwork for insolvency appointments. Reports to more senior staff.	\$250
Graduate	Graduate with no previous experience in insolvency or other relevant accounting areas. Reports to more senior staff.	\$180
Under Graduate	Undergraduate with no previous accounting experience. Reports to more senior staff	\$150
Administrative Assistant	Skilled in computer processing work	\$125



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The above rates are current from **1 July 2015** and may vary from time to time as the cost structure of the firm changes. Adjustments to the scale will occur from time to time as required. It is considered appropriate to keep and maintain a number of different staff levels. This is a reflection of the different levels of staff required and experience necessary in order to undertake the numerous tasks in any insolvency appointment.

### **Future Fee Estimate**

I estimate our professional fees to be incurred for the period of this administration at \$50,000 (GST Exclusive). This estimate relates only to the conduct of a Voluntary Administration, and does not relate to any later Administration of a Deed of Company Arrangement or Liquidation. This estimate is based on the following assumptions:

- The records of the Company are made available following my appointment;
- All relevant officers comply with their duties to provide information about the Company's affairs;
- There is no delay or adjournment of the meeting of creditors to decide the Company's fate.

### **Disbursements**

Disbursements are divided into three types:

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

I am not required to seek creditor approval for disbursements, but must account to creditors regarding details of same.

Details of the basis of recovering internal disbursements in this administration are provided below. Full details of any actual costs incurred will be provided with future reporting.

### **Basis of Disbursement Claim**

External disbursements may be required and incurred during the administration. I am unable to estimate the total amount of external disbursements. Any external disbursements will be charged at cost.

Future external disbursements (both professional and non-professional) may be required and incurred in the remainder of the administration. I am unable to estimate the amount of future external disbursements. Any future external disbursements will be charged at cost.



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The following future internal disbursements are expected to be incurred on the following basis:

Internal Disbursement	Basis (GST Exclusive) (\$)
Telephone and Facsimiles	Fixed at \$25.00
Photocopying	\$0.40 per page
Postage	\$0.75 per small envelope / \$1.50 per large envelope
Stationary and Consumables	\$250.00 plus \$25.00 per additional folder
Books and Records Storage	\$9.00 per box plus \$1.75 per box per month
Books and Records Transportation	\$17.00 plus \$2.50 per box transported
Staff Vehicle Use	estimated at \$0.65 per km

Scale applicable for financial year commencing 1 July 2015.

DATED this 30<sup>th</sup> day of July 2015.

**DAMIEN M HODGKINSON**  
ADMINISTRATOR