

12 May 2017

## **TO CREDITORS AND EMPLOYEES**

Dear Sir/Madam

### **STOCHASTIC SIMULATION LIMITED (RECEIVERS & MANAGERS APPOINTED) (ADMINISTRATORS APPOINTED) ACN 132 012 296 (the Company)**

I refer to the appointment of Richard Hughes and I as Joint & Several Administrators of the Company (**Administrators**) on 3 April 2017 pursuant to Section 436A of the *Corporations Act 2001 (the Act)*. Prior to our appointment, Bryan Hughes, Renee O'Driscoll and Daniel Bredenkamp of Pitcher Partners were appointed as Joint and Several Receivers and Managers of the Company on 30 March 2017 (**Receivers and Managers**).

On 9 May 2017 the Supreme Court of Western Australia (**Court**) approved our application for an extension to the convening period for the second meeting of creditors. The Court has allowed the Administrators until 11 September 2017 to convene the second meeting of creditors at which time the future of the Company will be determined.

We sought this extension because more time is needed:

1. For the Receivers and Managers to seek proposals from parties interested in the purchase of the Company's business and/or a recapitalisation of the Company, that may involve a Deed of Company Arrangement
2. To consider such proposals
3. To discuss any proposal(s) with key stakeholders
4. To form recommendations to put to creditors.

Our intention is to convene the second meeting of creditors as soon as possible and to not require the full extension period that was given.

The extension to the convening period does not affect the trading position of the Company which remains under the control of the Receivers and Managers. Please contact the Receivers and Managers should you have any queries in relation to the ongoing trading of the Company or purchase of the Company's business.

I wish to advise creditors that there has been an update to the Declaration of Independence and Relevant Relationships and Indemnities (**DIRRI**) previously issued to creditors on 6 April 2017, to reflect the additional funding and indemnities received directly and indirectly by the Administrators. The updated DIRRI has been lodged with ASIC and is enclosed for your reference. We continue to be of the opinion that we remain independent and able to act in the best interests of all creditors.

Should you have any proposals for a potential recapitalisation of the Company or any other queries relating to this matter, please contact Tyron Lopes of this office on (08) 9365 8171 or via email at [tylopes@deloitte.com.au](mailto:tylopes@deloitte.com.au).

Yours faithfully



**Jason Tracy**  
Joint & Several Administrator

*Encl*

## Declaration of Independence, Relevant Relationships and Indemnities

### Stochastic Simulation Ltd (the Company) ACN 132 012 296

This document requires the Practitioners appointed to an insolvent entity to make declarations as to:

- A. their independence generally;
- B. relationships, including
  - (i) the circumstances of the appointment;
  - (ii) any relationships with the company and others within the previous 24 months;
  - (iii) any prior professional services for the company within the previous 24 months;
  - (iv) that there are no other relationships to declare; and
- C. any indemnities given, or up-front payments made, to the Practitioner.

This declaration is made in respect of ourselves, our partners and Deloitte Financial Advisory Pty Limited (**Deloitte**).

### A. Independence

We, Jason Mark Tracy and Richard John Hughes of Deloitte have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Joint and Several Administrators of the Company in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

### B. Declaration of Relationships

#### i. Circumstances of appointment

This appointment was referred to us by Mr John Townsend. We have had no professional or other relationship with Mr Townsend in the past. Mr Townsend is a shareholder of the Company and had been given Mr Tracy's name by a contact of his (Mr Townsend's) as being somebody that could assist in providing restructuring and insolvency advice to the Company.

On 8 March 2017 Mr Townsend telephoned Jason Tracy and explained that the Company may need professional restructuring advice. Mr Leo Mullins, a director of the Company then emailed to Mr Tracy various pieces of information to help explain the Company's background and financial position. A meeting was then held at the offices of the Company on 9 March 2017 between Mr Mullins, Mr Townsend, Mr Tracy, Jude Morris (an employee of Deloitte Financial Advisory Pty Ltd), Mr Andrew Wadsley (a director of the Company) and Paul Kristensen (a director of the Company). The purpose of this meeting was to gain information on the financial position of the

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Member of Deloitte Touche Tohmatsu Limited

Company. On 10 March 2017 we provided the Company with a proposal to assist with a restructure of the Company.

From 13 March 2017 to 21 March 2017 we received further information on the financial position of the Company and Mr Tracy had approximately three telephone discussions with Mr Mullins. These discussions involved Mr Mullins providing updates on how the Company was to deal with claims made by a creditor of the Company. On 30 March 2017 Mr Mullins called Mr Tracy and advised that Mr Daniel Colgan and related parties had appointed receivers and managers to the Company. On 31 March 2017 Mr Tracy and Mr Mullins held another telephone call where Mr Tracy discussed the options available to the Company following the appointment of the receivers and managers. One such option was the appointment of voluntary administrators to the Company.

On 1 April 2017 Mr Tracy held a teleconference with all the directors of the Company where the voluntary administration process was discussed, and to discuss funding of the administrators. It was agreed at this meeting that an indemnity for the voluntary administrators' fees and costs of up to \$50,000 would be provided.

On 2 April 2017 Mr Tracy received a telephone from Mr Sil La Puma (Mr La Puma's company ISA Pty Ltd is a 5.1% shareholder of Stochastic Simulation Ltd) whereby Mr La Puma advised that an amount of \$15,000 had been paid into the trust account of Deloitte Touche Tohmatsu by way of an upfront payment for the voluntary administrators' fees.

The payment of \$15,000 represents an up-front payment of our fees and costs.

On 3 April 2017 the directors of the Company resolved to appoint us as voluntary administrators.

On 13 April 2017 Mr Tracy received an email from Robert McClelland representing a convertible note holder Vemac Ascent Investments Pty Ltd. Mr McClelland indicated that Vemac Ascent Investments Pty Ltd and ACN 137 837 613 Pty Ltd would transfer \$5,000 into the Company's Administration account to cover some of the costs of the appointment. Mr McClelland indicated that the funding split for the \$5,000 would be 70% borne by Vemac Ascent Investments Pty Ltd and the remaining 30% would be borne by ACN 137 837 613 Pty Ltd. ACN 137 837 613 Pty Ltd is a Company related to Andrew Duncan, and is a creditor of the Company.

The payment of \$5,000 represents an up-front payment of our fees and costs.

On 28 April 2017, David John of Herbert Smith Freehills, solicitor for the Administrators, sent an email to the Chris Pearce of Blackwall Legal, solicitor for Bryan Hughes, Renee O'Driscoll and Daniel Bredenkamp of Pitcher Partners (**Receivers and Managers**) and Daniel Colgan as Trustee for the Sette Selle Trust, Nathan Colgan and Cornelia Colgan as Trustees for the Kinsale Trust, Dorothy and Martin Colgan (**Secured Creditors**), outlining the approximate costs of \$10,000 that would likely be incurred to prepare an application to extend the convening period of the Administration. On 2 May 2017 Chris Pearce responded that the Secured Creditors would fund the costs required to prepare the application for the extension to the convening period. Herbert Smith Freehills' costs will be billed directly to the Secured Creditors' solicitors, Blackwall Legal.

At this stage the provision of any further funding by way of an indemnity or payment of costs is subject to further discussion. We will update this document and advise creditors should this position change.

We have received no remuneration so far for any of our dealings with the Company and its directors.

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

- These dealings were predominately in the nature of a pre-appointment discussions and were limited to the financial position of the Company
- During all discussions and meetings advice was limited to verbal discussions of the potential options available
- It is our opinion that these dealings do not present a conflict or impediment as we do not consider ourselves to be bound to provide services to the Company in relation to this matter or in any way obligated to deliver

a favourable outcome to any party, nor will the advice provided be subject to review and challenge during the course of the voluntary administration

- The Courts and the ARITA's Code of Professional Practice specifically 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.

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

## ii. Relevant Relationships (excluding Professional Services to the Company)

Neither we, nor our firm, have, or have had within the preceding 24 months, any relationships with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has a charge on the whole or substantially whole of the Company's property.

## iii. Prior Professional services to the Company

Neither we, nor our firm, have provided any professional services to the Company in the previous 24 months.

## iv. No other relevant relationships to disclose

There are no other known relevant relationships, including personal, business and professional relationships, from the previous 24 months with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has security over the whole or substantially whole of the Company's property that should be disclosed.

## C. Indemnities and up-front payments

We have been provided with the following indemnities and or upfront payments for remuneration for the conduct of this administration:

Name	Relationship with company	Nature of indemnity or payment
ISA Pty Ltd	Shareholder (5.1% shareholding)	<p>ISA Pty Ltd has agreed to provide up-front funding in relation to our remuneration for the conduct of the administration (as approved in accordance with the Corporations Act 2001) up to an amount of \$15,000. This does not affect any other indemnities that we may be entitled to under statute.</p> <p>Further, the up-front funding was not based on any agreement to provide a specific outcome for the Administration. We do not believe this creates a conflict.</p> <p>The up-front funding is for approximately \$15,000 including our professional fees, disbursements and costs. An amount of \$15,000 was paid into the trust account of Deloitte Touche Tohmatsu on 3 April 2017 by way of any upfront payment</p>

		<p>for our fees and costs. The up-front payment will be applied to our professional fees, disbursements and costs. We will only apply the up-front payment for our professional fees and disbursements upon receiving creditor approval to do so. We will apply the up-front payment for costs of the administration (e.g. for legal costs) as when such costs are incurred and due for payment.</p>
Vemac Ascent Investments Pty Ltd	Convertible Note holder (face value \$300,000)	<p>Vemac Ascent Investments Pty Ltd has agreed to provide an up-front payment in relation to our remuneration for the conduct of the administration (as approved in accordance with the Corporations Act 2001) up to an amount of \$3,500. This does not affect any other indemnities that we may be entitled to under statute.</p> <p>Further, the up-front payment was not based on any agreement to provide a specific outcome for the Administration. We do not believe this creates a conflict. The up-front payment is for approximately \$3,500 including our professional fees, disbursements and costs. An amount of \$3,500 was paid into the Administration account of the Company on 18 April 2017 by way of any up-front payment for our fees and costs. The up-front payment will be applied to our professional fees, disbursements and costs. We will only apply the up-front payment for our professional fees and disbursements upon receiving creditor approval to do so. We will apply the up-front payment for costs of the administration (e.g. for legal costs) as when such costs are incurred and due for payment.</p>
ACN 137 837 613 Pty Ltd	Unsecured creditor (informal proof of debt lodged for \$156,000)	<p>ACN 137 837 613 Pty Ltd has agreed to provide an up-front payment in relation to our remuneration for the conduct of</p>

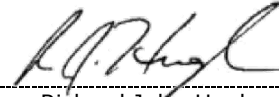
		<p>the administration (as approved in accordance with the Corporations Act 2001) up to an amount of \$1,500. This does not affect any other indemnities that we may be entitled to under statute.</p> <p>Further, the up-front payment was not based on any agreement to provide a specific outcome for the Administration. We do not believe this creates a conflict. The up-front payment is for approximately \$1,500 including our professional fees, disbursements and costs. An amount of \$1,500 was paid into the Administration account of the Company on 18 April 2017 by way of an up-front payment for our fees and costs. The up-front payment will be applied to our professional fees, disbursements and costs. We will only apply the up-front payment for our professional fees and disbursements upon receiving creditor approval to do so. We will apply the up-front payment for costs of the administration (e.g. for legal costs) as when such costs are incurred and due for payment.</p>
<p>Daniel Colgan as Trustee for the Sette Selle Trust, Nathan Colgan and Cornelia Colgan as Trustees for the Kinsale Trust, Dorothy and Martin Colgan (<b>Secured Creditors</b>)</p>	<p>Secured creditor and convertible note holder (informal proof of debt lodged for \$1,310,000)</p>	<p>The Secured Creditors have agreed to pay the Administrators' Solicitors in relation to the costs for the preparation of the application for the extension to the convening period. This does not affect any other indemnities that we may be entitled to under statute.</p> <p>Further, any payment of the Administrators' solicitors was not based on any agreement to provide a specific outcome for the Administration. We do not believe this creates a conflict. The proposed payment is for approximately \$10,000 and will be paid directly to the Administrators' solicitors.</p>

This does not include statutory indemnities. We have not received any other indemnities or upfront payments that should be disclosed.

Dated: 9 May 2017



Jason Mark Tracy



Richard John Hughes

**Note:**

1. If circumstances change, or new information is identified, we are required under the Corporations Act and the ARITA 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.
2. Any relationships, indemnities or up-front payments disclosed in the DIRRI must not be such that the Practitioner is no longer independent. The purpose of components B and C of the DIRRI is to disclose relationships that, while they do not result in the Practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.