
3 APRIL 2014

Undercoverwear Limited
(Administrators Appointed)
ACN 108 962 152

Pursuant to Section 439A of the Corporations Act

Contents

1. Appointment by Administrators	3
2. Company background	5
3. Investigations	8
4. Proposed deed of company arrangement	13
5. Alternatives available to creditors	16
6. Estimated return to creditors	20
7. Remuneration of Administrators	20
8. Further Information	20

1. Appointment by Administrators

1.1 Progress of the Administration

We, Ginette Muller and Lachlan McIntosh, were appointed as Administrators of Undercoverwear Limited ('the Company') on 6 March 2014 pursuant to Section 436A of the Corporations Act 2001 (Commonwealth) ('the Act').

The Company is the ultimate holding Company of Undercoverwear Australia Pty Ltd (Administrators Appointed) ATF the Undercoverwear Unit Trust which is the trading Company. Collectively these companies will be referred to as the "Group". We were also appointed as Administrators to Undercoverwear Australia Pty Ltd (Administrators Appointed) on 10 March 2014. A representation of the Group structure is ***attached** and Annexure 1 of this report.

On appointment we assumed control of the Company's operations and assets, and communicated with all key stakeholders including employees, secured parties and major creditors.

1.2 Object of the Administration

Section 435A of the Act states that the objects of the administration provisions of the Act are to provide for the business, property and affairs of an insolvent company to be administered in a way that:

1. maximises the chance of the company, or as much as possible of its business, continuing in existence, or
2. if it is not possible for the company or its business to continue in existence, results in a better return for the company's creditors and members than would result from an immediate winding up of the company.

This report has been prepared in accordance with Section 439A (4) of the Act.

This report has been prepared from information obtained from the Company's records, the Directors and management of the Company and from our own enquiries.

Our investigations into the Company's affairs have been limited due to the short time period provided under the Act within which we must issue a report about the Company's business, property, affairs and financial circumstances for the Second Meeting of Creditors.

We have no reason to doubt the information contained in this report. The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. Except where otherwise stated, we reserve the right to alter any conclusions reached on the basis of any changed or additional information which may become available to us between the date of this report and the date of the Second Meeting of Creditors.

Neither FTI Consulting nor any member or employee thereof undertakes responsibility in any way whatsoever to any person in respect of any errors in this report arising from incorrect information provided to us.

1.3 Prior involvement with the Company

We advise creditors that we have had no prior involvement with the Company, its Directors or any related party which would preclude us from accepting the appointment. Up to the date of our appointment, our involvement with the Company commenced on 27 February 2014 and had been to prepare for the orderly conduct of the Administration.

Further, we advise that we have had no prior involvement with the Company's secured creditor, any critical trade supplier or any dominant union in advising such parties concerning the Company.

There has been no change to the position as stated in the Declaration of Independence, Relevant Relationships and Indemnities included with the First Report to Creditors.

1.4 First meeting of creditors

Section 436E of the Act requires us to conduct a meeting of the creditors of the Company in administration within eight business days of being appointed ('the First Meeting of Creditors').

The First Meeting of Creditors for the Company was held on 18 March 2014.

At the First Meeting of Creditors, we advised that a Committee of Creditors may be formed for the Company. There was no proposal from the creditors present at the meeting to appoint a Committee of Creditors for the Company.

1.5 Second meeting of creditors

We are required to convene a second meeting of creditors of the Company in administration pursuant to Section 439A of the Act ('the Second Meeting of Creditors') to consider the future of the Company.

Before the Second Meeting of Creditors, we must prepare a report on the relevant Company's business, property, affairs and financial circumstances and provide opinions on certain matters, which is the purpose of this report. This allows creditors to be in a position to vote at the Second Meeting of Creditors on the options available to them, as to whether it would be in the creditors' interests for:

- the Company to execute a deed of company arrangement ('DOCA')
- the administration to end, or
- the Company to be wound up.

We have received a DOCA proposal for consideration by the creditors of the Company from Ostana Capital. This proposal is discussed in further detail in section 4 of this report.

We advise that the Second Meeting of Creditors will be held at the offices of FTI Consulting, Level 15, 50 Pitt Street Sydney on Thursday, 10 April 2014 at 3:00pm AEST. Formal notice of the meeting accompanies this Report. Registration for the meeting will commence at 2:50pm AEST.

A Form 532 – Appointment of Proxy also accompanies this report. If you intend to appoint another person to act on your behalf at the meeting, or you are a corporate creditor, you are required to complete the Proxy Form appointing your representative. Proxy forms may be sent to FTI Consulting, GPO Box 3127, Brisbane, Queensland, 4001 or by facsimile 07 3225 4999 no later than 4:00pm, 9 April 2014.

If you are representing a company, please ensure that your proxy is executed pursuant to Section 127 of the Act or your representative is appointed pursuant to Section 250A of the Act, otherwise you will not be entitled to vote at the meeting.

Creditors are required to have lodged proofs of debt no later than 4:00pm on 9 April 2014, failing which they may be excluded from voting at the meeting. A Form 535, Formal Proof of Debt or Claim, accompanies this Report. Proofs of Debt may be sent to FTI Consulting, GPO Box 3127, Brisbane, Queensland, 4001 or faxed to 07 3225 4999.

Those creditors who have already lodged a Proof of Debt are not required to lodge a further proof (unless they wish to amend their claim).

1.6 Conduct of administration

The Company is listed on the Australian Stock Exchange under the stock code UCW and is on a trading hold at this point in time due to our appointment as Voluntary Administrators. The Company is the sole owner of the Undercoverwear Australia Pty Ltd (Administrators Appointed) ATF the Undercoverwear Unit Trust which is the main trading entity of the Undercoverwear Group.

1.7 Receipts and payments of administration

*Attached in the Remuneration Report is a summary of the receipts and payments for the period from 6 March 2014 to 30 March 2014. Further details in relation to the receipts and payments are available on request, provided sufficient notice is given to comply with the request.

2. Company background

2.1 History of the Company

Undercoverwear Limited commenced 5 May 2004 at a registered address of 8 Solent Circuit, Baulkham Hills, Sydney before relocating to Unit 5, 14-16 Lexington Drive, Bella Vista, Sydney on 28 January 2013. Undercoverwear Limited is the sole owner of Undercoverwear Australia Pty Ltd (Administrators Appointed) ATF the Undercoverwear Unit Trust which is the main trading entity, and is a public company registered on the Australian Stock Exchange, code UCW.

Detailed below is information regarding the Company obtained from a company search obtained from Australian Securities and Investments Commission ('ASIC') as at the date of our appointment.

Company details	
Commencement date	5 May 2004
Registered office	Unit 5, 16 Lexington Drive BELLA VISTA, NSW 2153
Trading premises	Unit 5, 16 Lexington Drive BELLA VISTA, NSW 2153

Secured Party	Date created	ASIC charge number	Status
Westpac Banking Corporation ("Westpac")	30/01/2012	201112170825369	Westpac holds an all present and after acquired property security interest over the whole or substantially the whole of the Company's property which represents a debt guarantee of amounts borrowed from Undercoverwear Australia Pty Ltd (Administrators Appointed).
	30/01/2012	201112211942946	
	30/01/2012	201112280577340	

Shareholder name (top 10 shown by number of shares)	Number of shares held	Class of share	Beneficially held and fully paid up	Holding %
The Clothing Group Limited	43,200,00	Ordinary	Fully paid	50.00
Mr John Everett & Ms Sonya Everett (Everett Family Settlement Account)	17,132,822	Ordinary	Fully paid	19.83
Recone Pty Ltd (Everingham Family Account)	3,860,171	Ordinary	Fully paid	4.47
National Nominees Limited	2,720,170	Ordinary	Fully paid	3.15
Union Pty Ltd (Everett Staff S/F Account)	2,712,042	Ordinary	Fully paid	3.14
Mr Ian Garnsey Everingham & Mrs Christine Mary Everyingham (Rosebank Staff S/Fund A/C)	2,486,486	Ordinary	Fully paid	2.88
Mrs Jeanette Richardson	1,126,214	Ordinary	Fully Paid	1.91
Contemplator Pty Ltd (ARG Pension Fund A/C)	897,515	Ordinary	Fully Paid	1.3
J P Morgan Nominees Australia Limited	769,284	Ordinary	Fully Paid	0.89
Alan Denis Vincent & Elaine Margaret Vincent (Vincent Family S/Fund A/C)	700,000	Ordinary	Fully Paid	0.81

There are 540 individual shareholders in the Company with fully paid share on issue of 86,400,000.

2.2 Directors and officers

Detailed below is information regarding the Directors and Secretary of the Company obtained from ASIC as at the date of appointment.

Director name	Appointment date	Cessation date
Montgomery James Palmer Grant	13 September 2013	N/A
Tracie-Lee Symons	4 December 2013	N/A
Christine Pamela Kennedy	4 December 2013	N/A
Stuart Alfred Richardson (ex-director)	10 December 2007	4 December 2013
Richard Lowry (ex-director)	31 March 2010	4 December 2013
John Henry Everett (ex-director)	5 May 2004	4 December 2013

(collectively referred to as 'the Directors')

Secretary name	Appointment date	Cessation date
Richard Lynn Rodgers	9 September 2013	N/A
Nicholas John Victor Geddes (ex-secretary)	30 October 2007	9 September 2013

2.3 Related entities

Detailed below is a summary of related entities of the Company, who are also claiming as creditors of the Company.

Related entity	Nature of claim	Amount
Tracie-Lee Symons	Unpaid director fees	\$13,750
Christine Kennedy	Unpaid director fees	\$12,602.74

The above claims have not yet been adjudicated. However, if the Company is placed in liquidation and there are sufficient funds realised for the Liquidators to make a distribution to creditors, the related entities will each be required to provide a proof of debt, which will then be adjudicated.

2.4 Events leading up to administration

The Directors of the Company have advised us that the Company's financial position can be attributed to the following factors in the trading entity Undercoverwear Australia Pty Ltd (Administrators Appointed) the 100% owned subsidiary of the Company.

- Decrease in sales over the past five (5) years in the trading entity
- High cash use
- Poor management of accounts payable
- Poor quality product design in the past two (2) years
- Poor management – loss of market share

Our investigations indicate that the Company's financial difficulties can be attributed to following factors in the trading entity Undercoverwear Australia Pty Ltd (Administrators Appointed) the 100% owned subsidiary of the Company.

- Lack of working capital
- High cash use
- Poor accounts receivable collections
- Loss of market share

2.5 Report as to Affairs

The Directors have not provided a Report as to Affairs ('RATA') to us. A RATA provides information on the financial position of the Company as at the date of our appointment.

2.6 Historical financial performance

The Groups' financial statements were last prepared as at 30 June 2013. The Groups' financial statements were prepared on a consolidated basis.

The Group's consolidated financial statements disclose the following:

- the Group's working capital decreased considerably over the period from 30 June 2012 to 30 June 2013, from a deficiency of \$387,969 to a deficiency of \$1,401,085
- the net asset position of the Group deteriorated significantly over the same period, from a net asset deficiency of \$103,488 in the 2012 financial year to a net asset deficiency of \$1,468,892 in the 2013 financial year.
- a table included in the Group's financial reports prepared as at 30 June 2013 illustrates the drastic loss of income experienced by the Group for the years 2009-2013, during revenue drops from roughly \$25mil in 2009 to \$8mil in 2013. This table also shows a negative EBITDA figure since the 2011 financial year.
- It is apparent from the Company's financial statements that only a substantial capital injection and turnaround in trading activities would have enabled the Company to continue in operation.

2.7 Searches

A Motor vehicle search has been requested with a view to determining if the Company is the registered owner of any motor vehicles. Further, a property searches have been carried out to determine if the company is the owner of property.

The property search revealed that the Company does not own any property. The motor vehicle search is yet to be received but we understand that the Company is not the registered owner of any motor vehicles.

3. Investigations

3.1 Administrators' investigations

Under the Act, we are required to investigate the Company's business, property, affairs and financial circumstances.

Pursuant to Regulation 5.3A.02 of the Act, we are also required to investigate and report to creditors on any possible recovery actions that would be available to a Liquidator, if creditors resolve to place the Company into liquidation. However, we note that currently we have limited funds available to us, which would not extend to pursuing any such actions in the capacity as Liquidator, and have incurred costs in acting as Administrators which would rank in priority to any creditors' claims in a liquidation.

Our investigations are at a preliminary stage and we are not in a position to provide any final comments about potential offences that may have been committed or amounts of money that may be recoverable in the event of the Company being placed into liquidation. It should be noted that further detailed investigations will need to be undertaken by a Liquidator (if appointed), and independent legal advice sought in order to determine the likely success of any actions contemplated in respect to the matters detailed below.

3.2 Overview of administrators' investigations

Our investigations to date have focused on the following matters:

- Breaches of duty and other offences under the Act by the Directors
- Potential actions by a Liquidator (if appointed).

3.3 Approach to preliminary investigations

Throughout my preliminary investigation, we:

- Held discussions with the Directors;
- Held frequent discussions with the Company's former Chief Financial Officer, Angela Catford;
- Obtained a creditors listing detailing amounts owed;
- Obtained a copy of the shareholder register
- Obtained a copy of the leasing agreement

3.4 Offences under the Act by the directors

Section 438D of the Act requires an Administrator to lodge a report with ASIC if it appears that:

- A past or present officer, or member, of the company may have been guilty of an offence in relation to the company, or
- A person who has taken part in the formation promotion, administration, management or winding up of the company may have misapplied money or property of the company or may have been guilty of negligence, default, breach of duty or trust in relation to the company.

We set out below and our comments as to whether investigations are warranted in relation to particular offences.

3.4.1 Books and records

Failure to maintain adequate books and records may be relied upon by a Liquidator in an application for compensation for insolvent trading and other actions for recoveries pursuant to Division 2 of Part 5.7B of the Act.

From our investigations to date, we consider that the Company has maintained books and records in accordance with the requirements of the Act.

3.4.2 Care and diligence and duty to act in good faith

The duty to act in good faith includes the following:

- To act honestly
- To exercise powers in the interests of the Company
- To avoid conflicts of interest
- To use their position properly
- To use information only for its proper purpose.

From our investigations to date, we have not found any evidence that the Directors have breached their duty to act with due care and diligence and to act in good faith, nor have they used their position improperly or used information improperly.

3.5 Potential recovery actions available to a liquidator

3.5.1 Voidable transactions

Unfair preferences

If the Company is placed into liquidation, various provisions of the Act enable the Liquidator to recover certain payments that were made by the Company to a creditor prior to the Company being placed into Voluntary Administration, referred to as unfair preferences. These are transactions where the payment results in a creditor receiving more than it would have received in the winding up of the Company. A Liquidator is able to look back at the preceding six months to determine whether or not any such transactions occurred i.e., a Liquidator is able to review transactions between the periods 6 September 2014 to 6 March 2014.

In order to prove a creditor received an unfair preference payment, the Liquidator must first show that the Company was insolvent at the time of the payment.

The creditor has a defence to an unfair preference claim by a Liquidator if it proves that it entered into the transaction in good faith and, at the time the benefit was received, the creditor had no reasonable grounds for suspecting that the company was insolvent or would become insolvent through entering into the transaction and valuable consideration was given, nor would a reasonable person in the creditor's position have suspected that the company was insolvent or would become insolvent.

A preliminary review of the Company's records indicates that no preferential payments have been made to creditors under the provisions of Section 588FA of the Act. There are no Company records that indicate any payments were made as a result of action taken by Creditors against the Company.

Uncommercial transactions

A transaction of a company is an uncommercial transaction if the following elements are established by a Liquidator:

- The transaction was entered into or given effect to within two (2) years of the date of appointment of the Administrator.
- At the time the transaction was entered into, or when given effect to, the company was insolvent or became insolvent as a result of the transaction.
- A reasonable person in the company's circumstances would not have entered into the transaction having regard to the benefits and detriments to the company in entering into the transaction and the respective benefits to other parties.

The defences available to a party involved in an uncommercial transaction claim are, in effect, the same as those for an unfair preference.

We are unaware of any uncommercial transactions entered into by the Company.

Unfair loans

Essentially an unfair loan is a loan agreement where the interest or charges are considered to be extortionate. Unfair loans made to the company any time prior to the appointment of the Administrators may potentially be overturned by a subsequently appointed Liquidator, whether or not the company was insolvent at any time after the loan was entered into. From our investigations, we are not aware of any unfair loans entered into by the Company.

3.5.2 Insolvent trading

Under the Act, a director is personally liable to the company if the director fails to prevent a company from incurring a debt when, at the time of incurring that debt, the company is insolvent, or becomes insolvent by incurring the debt, and there existed reasonable grounds to suspect that the company was or would become insolvent. This claim must be proven by the Liquidator against each individual director. Creditors should be aware that a successful claim for insolvent trading requires extensive analysis and would generally require legal action. Further, we would point out to

creditors that such proceedings may often be drawn out and involve significant cost. Creditors should also be aware that any successful claim may be set-off by the Directors against amounts due to that individual by way of unsecured advances or loan account. In this regard, we note that the Company's Directors have lodged proofs of debt in the administration totalling \$26,353 for amounts of wages owed.

The Act provides a number of possible defences to Directors to a claim for insolvent trading. These defences are:

- At the time the debt was incurred the Directors had reasonable grounds to expect and did expect that the Company was solvent and would remain solvent if it incurred that debt and any other debts that it had incurred at that time.
- At the time the debt was incurred the Directors had reasonable grounds to believe and did believe that a competent and reliable person was responsible for providing information about the Company's solvency and that person was fulfilling that responsibility.
- The Directors through illness or some other good reason were not taking part in the management of the Company at the time the debt was incurred.
- The Directors took all reasonable steps to prevent the Company from incurring the debt.

It is crucial to note that, with the exception of unfair loans, in order for a Liquidator to be able to set aside a transaction or obtain compensation from a director for insolvent trading, the Liquidator must first be able to show that at a relevant point in time the Company was insolvent.

The Act states the Company is considered to be solvent if, and only if, the Company is able to pay its debts as and when they become due and payable. A Company that is not solvent is insolvent. Accordingly, the test for insolvency is not a balance sheet test but rather a cash flow test.

Results of Investigations

To date, an exact date of insolvency has not been determined, however, from our investigations it would appear the date of insolvency would be at any point in time prior to October 2013 when an injection of capital by Director, Montgomery Grant failed to revive the Company's trading position.

Any claim for insolvent trading against the Directors of the Company, however, would need to be assessed on commercial grounds, including:

- Likelihood that pursuing a claim of insolvent trading would be successful, taking into account the defences available to Directors
- Cost of litigation
- Likelihood of recovery against the Directors of the Company.

As stated earlier, the Act provides Directors with a number of defences to a claim for insolvent trading. We are unable to comment, at this stage, as to whether they would have any defences.

3.5.3 Costs

The costs of pursuing voidable transactions and insolvent trading would come from the assets of the Company or funding from creditors of the Company. Alternatively, the Liquidators could seek litigation insurance funding.

3.5.4 Offences

Our preliminary investigations to date have not revealed any offences committed by the Directors.

3.6 ASIC searches

A search of ASIC's database for the Directors indicates that they hold the following positions in the following Companies:-

Montgomery Grant		
Company	Position	Date Commenced
Ashgrove Apparel Manufacturers Pty Ltd	Director & Secretary	21/06/2012
F.R Timmins Uniforms Pty Ltd	Director & Secretary	17/05/2012
Ironbark Clothing Pty Ltd	Director & Secretary	09/08/2012
The Clothing Group Ltd	Director & Secretary	16/07/2012
Undercoverwear Limited		

Tracie Symons		
Company	Position	Date Commenced
Undercoverwear Limited	Director	4/12/2013

Christine Kennedy		
Company	Position	Date Commenced
Undercoverwear Limited	Director	4/12/2013

3.7 Personal guarantee claims

Our investigations to date have not revealed the existence of any personal guarantee claims.

The Directors have advised that they are unaware of any personal guarantee claims.

3.8 Limitation of investigations

The opinion outlined above is based on investigations undertaken by our office into the Company's affairs, business and financial position. Our investigations have been based on the following information:

- Representations of Directors of the Company
- The details of the Company's assets and liabilities as established by our office
- The books and records of the Company, which have been written up to record transactions of the Company to [insert date], that have been made available to us.

3.9 Offences in relation to the Company – Section 438D

We are not aware of any serious offences in relation to the Company that may have been committed by the Directors of the Company. We are not aware of any persons, who have taken part in the formation or management of the Company, misapplying or retaining money or property of the Company. We are not aware of any persons who have been guilty of negligence, breach of duty or trust of the Company. Accordingly, we have not reported to the ASIC under Section 438D of the Act.

4. Proposed deed of company arrangement

On 24 March 2014 we received a proposal for Deed of Company Arrangement from Otsana Capital. A copy of the proposal is ***attached** as Annexure 2 of this report.

4.1 Key features of proposed deed of company arrangement

The key components of the proposed DOCA are as follows.

1. The syndicate (or its nominees) will provide up to \$800,000 cash to the creditors' pool for distribution to creditors. (Creditor Payment).
2. The Creditor Payment will be raised through one or more capital raisings by the Company (which will be subject to the receipt of shareholder approval).
3. All Directors of the Company will be removed and replaced by nominees of the Syndicate.
4. The Company will retain sufficient assets to enable to Company to requote on the Australian Stock Exchange. Including all inventory, plant and equipment, intellectual property and assets associated with the Undercoverwear business.
5. The Creditor Payment will be used in full and final satisfaction of all creditor claims (including those of an Administrator) pursuant to the Company entering into a DOCA.
6. The Syndicate's (or nominees of the Syndicate) Creditor Payment of \$800,000 will consist of:-
 - (i) \$10,000 as a non-refundable deposit paid within 5 business days of execution of the DOCA.
 - (ii) The Syndicate will make available \$490,000 within 5 days after receipt of shareholder approval in respect of the terms of the recapitalization proposal.
 - (iii) The Syndicate will make available \$300,000 available from surplus profits generated from the Undercoverwear business.
7. The Syndicate will bear all risk with respect to the capital raisings.
8. The Creditor Payment is offered for control of the Company and is made on the basis that immediately following shareholder approval the DOCA terminated and a creditors' trust fund is established to hold the Creditor Payment for creditors and claimants of the Company.
9. The recapitalization proposal is subject to the conditions set out in clause 1.4 of the DOCA proposal.
10. We understand that the Administrators of the DOCA and Trustees of the Creditors' Trust are to be Ginette Muller and Lachlan McIntosh.
11. We understand that the DOCA proposal is intended to incorporate the standard terms and provisions which are described in the Act and deal with the following:
 - a. Administrators deemed agent of the Company
 - b. Powers of the Administrators
 - c. Termination of the DOCA where the arrangement fails
 - d. Priority
 - e. Discharge of Debt
 - f. Claims extinguished
 - g. Bar to creditors claims

- h. Making claims
- i. Meetings
- j. Committee of Creditors
- k. Termination of DOCA where arrangement serves purpose.

Our estimated return to creditors if the DOCA is approved is between 24 and 66 cents in the dollar. It is likely the first distribution to creditors will be made following the receipt of the second payment of \$490,000 as provided for earlier in this section.

It should be noted that the aforementioned proposal takes into account assets which are not owned by the Company but rather related entity Undercoverwear Australia Pty Ltd (Administrators Appointed). For this reason, the return to creditors is likely to reduce in conjunction with the amount of the \$800,000 which is attributable to the purchase of stock.

4.1.2 Deeds including a payment by a party other than the company

As noted above the primary DOCA contribution is payable within 5 days from the receipt of shareholder approval for the Syndicate's recapitalization proposal. This payment is a payment to be made by a party other than the Company. A review of Otsana Capital's credentials indicates that it has significant experience in the recapitalization of listed Companies and we believe that Otsana Capital has the capacity to source the proposed payments under the terms of their DOCA proposal.

4.2 ASIC guidelines for creditors' trusts

In May 2005, ASIC issued Regulatory Guide 82 in respect to Creditors' Trusts, entitled 'External administrations: Deeds of company arrangement involving a creditors' trust'. A copy of the guide can be downloaded from the ASIC website at www.asic.gov.au or is available from our office upon request.

In accordance with the ASIC guide, we set out below the information required to be made available to creditors where a DOCA provides for the use of a creditors' trust.

Issue	Comments
Reasons	The DOCA proposal requires the use of a Creditors' Trust as part of a recapitalization of a listed entity.
Key events	If the DOCA is approved the Creditors' Trust will be immediately formed once shareholder approval for the recapitalization is obtained.
Return to creditors	We anticipate that a first and final dividend of between 24 and 66 cents in the dollar should be payable after 6 months of the termination of the DOCA and the execution of the Creditors' Trust.
Trustee particulars	It is proposed that the Administrators/Deed Administrators will become the Trustees of the Creditors' Trust. Full details of our experience, qualifications and credentials can be found at www.fticonsulting.com or from this office upon request.

Issue	Comments
Remuneration	The Creditors' Trust will provide for payment of remuneration and costs due to the Trustees, the Deed Administrators and the Administrators from Trust Funds in priority to any distribution to Beneficiaries. Remuneration will be based on the hours spent by the Trustees, the Deed Administrators, the Administrators and their staff, calculated in accordance with the FTI Consulting Schedule of Hourly Rates (attached as Appendix 2) as approved by creditors at the Second Meeting of Creditors. We do not consider that 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 a DOCA.
Indemnities	The Trustees will be entitled to be indemnified from the Trust Fund if required.
Powers	The Trustees will have all the powers of a natural person or 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.
Claims	Refer to Section 4.2.2 of this Report.
Other creditor/beneficiary differences	Refer to Section 5.2.3 of the Report.
FEG	As the Group will not be placed into liquidation, the employees will not be able to access FEG.
Compliance opinion	Based on our own investigations, there is nothing to indicate that the proposer of the DOCA and Creditors' Trust will be unable to comply with its obligations under the proposal. Importantly, Participating Creditors' claims against the Company are not extinguished until the funds to satisfy claims are received.
Solvency statement	The terms of the proposed DOCA provide that, upon effectuation, all claims against the Company will be extinguished in full.
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 (where the claims of Participating Creditors are dealt with by the Company). These may mean that 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. This matter will be addressed by the Deed Administrators/Trustees at the appropriate time and Participating Creditors will be informed of any changes to the funds available for distribution.
Tax (creditor/beneficiary)	There may be some implications for Participating 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	No other material aspects or implications have been identified at this stage.

The involvement of a Creditors' Trust creates some complexity for the Administrators (who will be required to act in a trustee capacity) and for creditors. Although many of the operative provisions of the Act will be incorporated into the Trust Deed (so as to minimise the effect of the change in legal structure being utilised), Participating Creditors' rights under the Trust will not be 'statutory rights' under the Act, but will instead be rights under the [Trustee Act 1925 (NSW)/Trusts Act 1973 (QLD)/Trustee Act 1936 (SA)/Trustee Act 1958 (VIC)/Trustees Act 1962 (WA)] and in equity.

It is not anticipated that this will create any particular difficulties in this instance, as the objectives of the Trust are fairly straightforward and it is not expected that the Trust will endure for an unduly long period of time. However, creditors' rights are being fundamentally transformed and they should take this into account in assessing the merits of the DOCA proposal put forward.

Creditors should seek legal advice prior to the second meeting of creditors if they are in any doubt as to what this means for them.

4.2.2 Adjudication of creditors' claims

The Trust Deed assumes that the Trustees, and not the Deed Administrators, will adjudicate upon proofs of debt received from Participating Creditors who seek to become Beneficiaries under the Creditors' Trust. The Creditors' Trust incorporates the relevant provisions of the Act to reflect the creditors' proof and dividend procedures under the Act. The Trustees will have access to the books and records of the Company necessary to determine claims.

For the purpose of admitting creditors' proofs, the Creditors' Trust Deed stipulates that subdivisions A, B and C of Division 6 of Part 5.6 of the Act which relate to those subdivisions, apply to claims made under the Deed, with certain modifications as are necessary. Proofs submitted by creditors will be adjudicated as if they were proofs submitted in a liquidation of the Company.

The Creditors' Trust provides for slight differences from the Act. Specifically, any appeal to the Trustees' decision to reject a claim of a Participating Creditor 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 that the appeal must be made within 14 days of the Trustees giving notice of rejection, or such longer period as the Court permits.

We do not consider that this minor difference will have a material adverse effect on creditors.

4.2.3 Other creditor differences

Whilst the Creditors' Trust does not stipulate that Regulations 5.6.12 to 5.6.36A will be applicable (being regulations relating to creditors' meetings), the Trust Deed does contain a schedule of meeting provisions that are similar in their form and substance. As such, we do not consider that the non-application of the specific regulations of the Act relating to creditors' meetings will have a material adverse effect on creditors.

5. Alternatives available to creditors

5.1 Explanation of alternatives available to creditors

It is our obligation to make a recommendation to creditors on which alternative is in the best interests of creditors. Our recommendation is based on what is in the best interests of creditors with regard to repaying their existing debts and must also ensure that those creditors who have an ongoing relationship with the Company are comfortable in their dealings with the Company.

We make the following general comments in respect to each option:

5.1.1 Deed of company arrangement

The proposed DOCA put forward by Otsana Capital provides for a recapitalization of the Company with a pool of funds of up to \$800,000 to be available for distribution to creditors. As Deed Administrators, we will monitor the required payments under the terms of the DOCA and distribute these funds to participating creditors under the terms of the DOCA. The terms of the DOCA will provide that the Deed Administrators will not be liable for any debts incurred by the Company upon execution of the DOCA.

We consider it would be in interests of the Company's creditors for the Company execute a DOCA.

5.1.2 Bringing the administration to an end

It is possible that creditors may consider ending the Administration and returning the Company to the existing Directors. This is not a commercial proposition at this stage given the financial position of the Company and the professional assistance it requires to trade out of its difficulties. The Company's Directors would resume control of the assets and be able to deal with them as they deem appropriate. This will not prevent creditors from initiating legal proceedings for the recovery of their debts or petitioning to the Court to have the Company wound up at their own expense.

Should creditors resolve that the Administration be terminated, the Company will be placed in a similar position to that existing prior to our appointment as Administrators.

5.1.3 Winding up the Company

At the Second Meeting of Creditors, creditors may resolve that the Company be wound up. Should they do so, the Company will be placed into liquidation and the Company is taken to have nominated us as the Administrators to be the Liquidators. The Liquidators are required to realise and distribute the assets in accordance with Section 556 of the Act (subject to Section 545 of the Act) and will also be required to complete a thorough investigation into the Company's past dealings and affairs, and the past actions of the Directors.

The effects of the liquidation of the Company include:

1. the moratorium available under the Voluntary Administration process will cease
2. the Liquidators will be empowered to recover potential voidable transactions, as outlined in Section xx of this report
3. the Liquidators will be required to conduct an investigation into the affairs of the Company pursuant to Section 533 of the Act and lodge a report with the ASIC in respect of the same.

Placing the Company into liquidation will in our opinion provide an uncertain return to creditors which will likely be nil. Therefore, we do not consider it is in creditors' interests for the Company to be wound up.

This option allows the following areas to be investigated more thoroughly:

Investigation of voidable transactions and insolvent trading

If the Company is placed into liquidation, further investigation of the matters referred to earlier in this report would be undertaken to determine the potential of any recoveries.

Directors' guarantees

If the Company is wound up, creditors with guarantees from the Company's Directors could pursue the Directors for those debts immediately.

5.1.4 Adjournment of second meeting

As we expect to receive further DOCA proposals leading up to the scheduled second meeting of creditors it is our opinion that sufficient time will be required to adequately assess these proposals to determine which proposal is in the best interests of creditors. A resolution passed for an adjournment of the Second Meeting of Creditors for a maximum period of 45 business days would enable us to consider and report further to creditors on our recommendation as to which DOCA proposal is in creditors' best interests to accept.

5.2 Recommendation

It is our opinion that it would be in creditors' interests for the Company to adjourn the Second Meeting of Creditors for a period not exceeding 45 business days. As noted above we have received a proposal for a DOCA from Otsana Capital that we consider will give a better return to creditors than if the Company was placed into Liquidation however we expect to receive further DOCA proposals from interested parties to recapitalize the Company that may give a better return to creditors. On this basis an adjournment of the Second Meeting of Creditors for a period of up to 45 business days would allow the Administrators to consider these proposals and further report to creditors on our recommendations as to which DOCA proposal is in creditors' best interest to accept.

5.3 Financial analysis of alternatives

A summary of the analysis of the alternatives is provided below.

Estimated Statement of Position					
	Notes	Liquidation		DOCA - OTSANA Proposal	
		Pessimistic \$	Optimistic \$	Pessimistic \$	Optimistic \$
Assets					
DOCA Contribution	1	NIL	NIL	500,000	800,000
Recoveries from Unfair Preferences	2	NIL	NIL	N/A	N/A
Recoveries from Insolvent Trading	3	NIL	NIL	N/A	N/A
Total Assets		NIL	NIL	500,000	800,000
Less: Expenses and Fees of External Administrator					
Administrators' Fees & Expenses	4	170,000	145,000	170,000	145,000
Deed Administrators' Fees & Expenses	4	N/A	N/A	45,000	30,000
Liquidators' Fees & Expenses	4	30,000	20,000	N/A	N/A
Total Expenses and Fees of External Administrator		200,000	165,000	215,000	175,000
Available to Secured Creditors		NIL	NIL	285,000	625,000
Secured Creditor - Westpac Banking Corporation	5	130,000	130,000	130,000	130,000
Funds Available for Unsecured Creditors		NIL	NIL	155,000	495,000
Unsecured Trade Creditors	6	764,474	764,474	764,474	764,474
Director Claims	7	26,352	26,352	26,352	26,352
Total Unsecured Creditors Claims		790,826	790,826	790,826	790,826
Estimated Return to Unsecured Creditors		NIL	NIL	0.20	0.63

Notes

1. DOCA Contribution:

- The DOCA proposal from Otsana Capital provide for a contribution of up to \$800,000 in return for the sale of the inventory, plant and equipment, intellectual property and other assets of the Company.

This payment will comprise of:

- \$10,000 non-refundable deposit to be paid within 5 business days of execution of the DOCA.
- \$490,000 will be made available within 5 days of shareholder approval.
- \$300,000 will be made available from profits generated by the Company.
- The payment is to be used in full and final satisfaction of all creditor claims, including those of an Administrator.
- The payment is subject to shareholder approval.
- All existing directors of the Company will be removed and replaced with nominees of the syndicate.

It should be noted that the aforementioned proposal takes into account assets which are not owned by the Company but rather related entity Undercoverwear Australia Pty Ltd (Administrators Appointed). For this reason, the return to creditors is likely to reduce in conjunction with the amount of the \$800,000 which is attributable to the purchase of stock.

2. Recoveries from Unfair Preference:

- Our investigations to date have not revealed any preference payments able to be recovered for the benefit of creditors.

3. Recoveries from Insolvent Trading

- Further to section 3 of this report, we are unaware of any substantial assets owned by the Directors which could be realized for the benefit of creditors.

4. Expenses and Fees of External Administrator:

- Details of the remuneration and disbursements incurred and likely to be incurred are detailed in the remuneration report annexed to this report.

5. Secured Creditor – Westpac Banking Corporation:

- Westpac Banking Corporation has confirmed to our office that the debt owed to them is approximately \$130,000.
- Westpac holds a number of security interests over assets of the company, including a registered security interest over all present and after acquired property, no exceptions.

6. Unsecured trade creditors:

- To date our office has received unsecured proof of debt claims in the amount of \$764,474, the major creditor of which is Sinaz Pty Ltd, who has lodged a claim in the amount of \$713,654.00 with respect to the Company's former lease.

7. Director Claims

- Directors Christine Kennedy and Tracie-Lee Symons have lodged claims in the amount of \$12,602.74 and \$13,750.00 respectively.
- Whilst a formal proof of debt has not yet been received, our office has been notified of a claim by Richard Rodgers in the amount of \$8,250.00 with respect to services as Company Secretary.

6. Estimated return to creditors

6.1 Amount and Timing

As stated above the estimated dividend to creditors under the proposed DOCA is between 24 and 66 cents in the dollar. We do not anticipate a dividend to creditors to be distributed in liquidation. The timing of the distribution under a DOCA scenario will depend on the timing of receipt of payments from the syndicate.

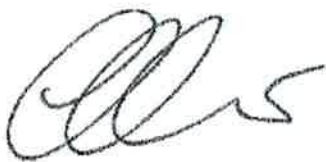
7. Remuneration of Administrators

A detailed account of the Administrators incurred and proposed to be incurred is detailed in the remuneration request approval report annexed to this report.

8. Further information

Creditors requiring further information regarding the administration can contact Neil Dempster on (07) 3225 4953.

Dated: 3 April 2014.



Ginette Muller
Administrator

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Damien Lau
(07) 3225 4921
Damien.Lau@fticonsulting.com

Renee Lobb
(07) 3225 4976
Renee.Lobb@fticonsulting.com

Neil Dempster
(07) 3225 4953
Neil.Dempster@fticonsulting.com

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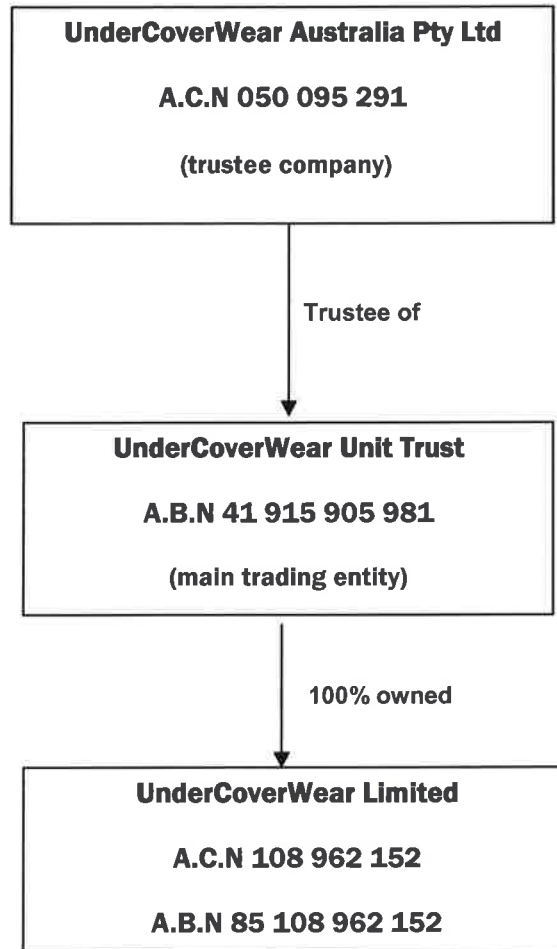
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Annexure 1 – Organisational Structure



Annexure 2 – Deed of Company Arrangement



OTSANA
CAPITAL

ACN 145 168 216

A: 100 Outram Street,
WEST PERTH
Western Australia, 6005
P: PO Box 1974
WEST PERTH WA 6872
T: +61 (08) 9486 7244
F: +61 (08) 9463 6373

24 March 2014

Mr Lachlan McIntosh and Ms Ginette Muller
Voluntary Administrators
Undercoverwear Ltd (Administrators Appointed)
Unit 5, 14-16 Lexington Drive
BELLA VISTA, NSW, 2153

By Email: ginette.muller@fticonsulting.com

Dear Sir and Madam,

UNDERCOVERWEAR LIMITED (ADMINISTRATORS APPOINTED)

Please find enclosed our offer to recapitalise Undercoverwear Limited (Administrators Appointed) **(the Company)**.

The material terms of the offer are as follows:

- (a) the Syndicate (or its nominees) will provide up to \$800,000 cash to the Creditors' pool **(Creditor Payment)**.
- (b) the Company will retain sufficient assets to enable the Company to requote on the Australian Securities Exchange (ASX). Including all inventory, plant and equipment, intellectual property and assets associated with the Undercoverwear business. The Syndicate understands that there is inventory at cost value of approximately \$700,000;
- (c) the Creditor Payment will be used in full and final satisfaction of all creditor claims (including those of an Administrator) pursuant to a deed of company arrangement entered into by the Company (DOCA); and
- (d) the Creditor Payment will be raised through one or more capital raisings by the Company (which will be subject to the receipt of shareholder approval).

If this offer is acceptable, the Syndicate will expect that the parties enter into a Reconstruction Deed as soon as practicable. Further, we will seek an undertaking that the Company is exclusively dealing with the Syndicate.

www.otsana.com

Please consider the terms of our offer (Annexure "A"). If you have any queries, please do not hesitate to contact myself on (08) 9486 7244.

Regards



FALDI ISMAIL

For and on behalf of Otsana Capital and the Investment Syndicate





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ANNEXURE "A" OFFER IN RELATION TO UNDERCOVERWEAR LTD

1. TERMS OF THE RECAPITALISATION PROPOSAL

1.1 Material Terms

- (a) The Company intends to consolidate its existing shares on a one (1) for (7) basis.
- (b) The Syndicate (or nominees of the Syndicate) will provide up to \$800,000 cash towards the creditors of the Company (**Creditor Payment**). The Creditor Payment is to be made as follows:
 - (i) The Syndicate will pay a \$10,000 non-refundable deposit 5 business days after execution of the DOCA. If, for any reason, the Company is recapitalised under another proponent's DOCA proposal or the assets of the Company are sold, then the Administrator shall repay the Syndicate the deposit from the proceeds of that other proponent's DOCA proposal or asset sale, in priority to any other payments and immediately after the receipt of those proceeds;
 - (ii) The Syndicate will make available \$490,000 within 5 days after receipt of shareholder approval in respect to the terms of the recapitalisation proposal; and
 - (iii) The Syndicate will make available \$300,000 from surplus profits generated from the Undercoverwear business.
- (c) The Creditor Payment will be raised through one or more capital raisings by the Company (which will be subject to the receipt of shareholder approval). It is proposed that the capital raisings will be as follows:
 - (i) Up to 200,000,000 shares at not less than \$0.01 to raise \$2,000,000;
 - (ii) Up to 30,000,000 shares at not less than \$0.00001 to raise \$300; and
 - (iii) Up to 50,000,000 options to acquire shares with an exercise price of not less than \$0.015 each with an expiry date of 4 years from the date of issue to raise \$500;

It should be noted that the proposed capital structure and reconstruction (including consolidation, share/option issues and share/option prices) may be varied at the syndicate's discretion, but subject to both ASX and shareholder approval.

- (d) The Syndicate will bear the risk on the capital raisings. A Creditor Payment of \$490,000 will be made available to the Administrator within 5 business days after the satisfaction of the conditions set out below.
- (e) All of the directors of the Company will be removed and replaced by nominees of the Syndicate.
- (f) The Company retaining sufficient assets to enable the Company to obtain reinstatement to trading of its securities on the ASX without needing to re-comply with Chapters 1 and 2 of the ASX listing rules.



- (g) The Creditor Payment is offered for control of the Company and is made on the basis that immediately following shareholder approval the DOCA terminates and a creditors' trust fund is established to hold the Creditor Payment for creditors and claimants of the Company (Creditors' Trust).
- (h) All the subsidiaries that are dormant or not required by the Syndicate are to be excised from the Company and transferred into the Creditors Trust.

1.2 Proposed Capital Structure

	No. of Shares
Existing Shareholders (after consolidation)	12,342,857
Syndicate Placement	30,000,000
General Placement	200,000,000
Total Shares	242,342,857

1.3 Cash Allocation

General Placement	\$2,000,000
Syndicate Share Placement	\$300
Syndicate Option Placement	\$500
Less Cash to Creditors	(\$500,000)
Less Reconstruction Cost	(\$200,000)
Total Cash at Relisting (approx)	\$1,300,800

1.4 Conditions

The offer under the Recapitalisation Proposal is subject to the following general conditions:

- (a) all liabilities and long term commitments of the Company as at settlement of the Recapitalisation Proposal being released and compromised via a DOCA that reflects the terms of the offer. It shall be a term of the DOCA that it is wholly effectuated and the appointment of the Administrator terminates contemporaneously with the payment by the Company of the Creditor Payment to the Trustee of the Creditors' Trust;
- (b) all creditors will be required to prove debts against the Trustee of the Creditors' Trust as if they were the Company and payments to creditors shall be made in accordance with the DOCA and the Creditors' Trust deed;
- (c) the subsidiaries of the Company being excised from the group and being dealt with by the Administrator (at no cost to the Company or the syndicate);
- (d) all employees of the Company being terminated at no cost to the Company post termination of the DOCA;
- (e) ASX providing written confirmation to the Company that it will lift the suspension on the trading of the securities of the Company immediately following completion of the capital raisings without the need to re-comply with chapters 1 and 2 of the Listing Rules on finalising the DOCA. The Syndicate will assist in seeking such confirmations from the ASX;



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- (f) the Recapitalisation Proposal and the information memorandum to be sent to creditors and shareholders respectively shall specify that if the creditors do not approve the Recapitalisation Proposal and the shareholders do not approve the Recapitalisation Proposal respectively, then the Administrator or the Deed Administrator, as the case may be, shall have no other option but to recommend to the creditors that the Company be placed immediately into liquidation; and
- (g) the receipt of shareholder approval with respect to the terms of the Recapitalisation Proposal.

1.5 Costs

The Syndicate will:

- (a) prepare first drafts of the DOCA(s) and Creditors' Trust Deeds;
- (b) prepare the required shareholder meeting materials and will submit these materials to ASX, the ASIC and the Deed Administrator for approval prior to dispatch to the shareholders of the Company; and
- (c) bear its own costs in relation to the preparation of the above documents which sums shall be reimbursed by the Company in the event that the proposals are approved and the Company is reinstated to trading on the ASX.

If the Administrator/Deed Administrator incurs costs in reviewing the above meeting materials, those costs shall be borne by the Administrator/Deed Administrator. The Syndicate estimates that the costs of the matters to be undertaken relating to convening the shareholder meeting including the materials being printed, mailed, possibly audited and the incurring of legal costs could be up to \$100,000 which the Syndicate agrees to bear (subject to clause 1.5(c) above).

1.6 Additional Matters

The Syndicate confirms that:

- (a) no additional internal approvals are required in order to proceed to a binding offer; and
- (b) funding for the acquisition will be sourced from members of the Syndicate as well as third parties. No issues or delays are envisaged in relation to funding any proposal.

2. About the syndicate

Otsana Capital

Otsana Capital is a private boutique company covering a broad range of corporate transactions with a specific emphasis in the restructure and recapitalisation of ASX-listed companies.

Otsana Capital has specialist skills in mergers and acquisitions, capital raisings and has many years of investment banking experience covering a wide range of sectors.



Otsana Capital has been involved in the recapitalisation, identification, facilitation and implementation of numerous acquisitions into a number of ASX listed companies.

Otsana Capital has more recently successfully recapitalised the following Companies:

- Boulder Steel Limited ASX Code "BGD" (in process)
- Actinogen Limited ASX Code "ACW"
- Virax Holdings Limited ASX Code "VHL"
- Style Limited ASX Code "SYP"
- Kogi Iron Limited ASX Code "KFE" (formerly Brainytoys Ltd)
- Kangaroo Resources Limited ASX Code "KRL" (formerly Kangaroo Metals Ltd)
- Coventry Resources Limited ASX Code "CVY" (formerly Mobilesoft Ltd)
- Pan Asia Corporation Limited ASX Code "PZC" (formerly Sam's Seafood Holdings Ltd)
- NSL Consolidated Limited ASX Code "NSL" (formerly NSL Health Ltd)
- Environmental Clean Technologies Limited ASX Code "ESI"

More details on our past transactions can be found at www.otsana.com

WINDOW CAPITAL

Window Capital is an investment company controlled by Bryan Hughes. Bryan is Managing Director of Pitcher Partners Perth, a full service chartered accounting firm and Former National Head of Pitcher Partners Business Recovery and Insolvency Services.

Bryan has extensive experience in restructuring and recapitalising ASX listed companies and was the first to successfully restructure and recapitalise an ASX listed company through the use of a creditors trust and has given numerous presentations in restructuring ASX listed companies.

Over the last 30 years Bryan has held strategic positions in the commencement of projects that have gone on to underpin listed companies with market capitalisation of many billions of dollars.

Bryan's skill sets incorporate extensive operational experience together with strategic analysis, negotiation expertise, acquisition due diligence and structuring. Bryan has led the turnaround and reconstruction of many companies, including Consolidated Minerals Ltd, Amtec Ltd, Emerald Oil NL, Midwest Corporation Ltd, Amcom Telecommunications Ltd, Martix Oil NL, Psivida Corp, Foundation Healthcare Ltd, Consolidated Gold Ltd, General Gold Resources, Joyce Corporation Ltd, Yilgarn Mining Ltd, Centralian Minerals Ltd, Lach Drummond Ltd, Deep Yellow Ltd, Croesus Mining Ltd and more recently Monarch Gold Mining Company Ltd, Macmin Silver Ltd and Australian Zircon NL.

3 APRIL 2014



REMUNERATION REQUEST APPROVAL REPORT

UNDERCOVERWEAR LIMITED (ADMINISTRATORS APPOINTED)
ACN 108 962 152

CRITICAL THINKING
AT THE CRITICAL TIME™

Table of Contents

Part 1: Declaration	1
Part 2: Executive Summary.....	1
Remuneration previously determined by Creditors	1
Remuneration for which approval is sought.....	1
Part 3: Description of Work Completed and to be Completed.....	2
Part 4: Calculation of Remuneration.....	4
Resolution 1: Remuneration for the period 6 March 2014 to 31 March 2014 (inclusive).....	4
Resolution 2: Remuneration for the period 1 April 2014 to 9 April 2014 (inclusive).....	5
Resolution 3A: Remuneration for the period 10 April 2014 to Conclusion of Liquidation	6
Resolution 3B: Remuneration for the period 10 April 2014 to Execution of the Deed of Company Arrangement.....	7
Resolution 3C: Remuneration from Execution of the Deed of Company Arrangement to Conclusion.....	8
Part 4: Calculation of Remuneration (cont.).....	9
Resolution 2: Remuneration from 1 April 2014 to 9 April 2014 (inclusive)....	9
Resolution 3A: Remuneration from 10 April 2014 to Conclusion of Liquidation (inclusive).....	9
Resolution 3B: Remuneration from 10 April 2014 to Execution of Deed of Company Arrangement (inclusive).....	9
Resolution 3C: Remuneration from Execution of Deed of Company Arrangement to Conclusion of Deed of Company Arrangement	9
Part 5: Statement of Remuneration Claim	9
Resolution 1: Remuneration to 31 March 2014 (inclusive).....	9
Resolution 2: Remuneration between 1 April 2014 and 9 April 2014 (inclusive).....	9
Resolution 3A: From 10 April 2014 to Conclusion of Liquidation (inclusive) – Liquidation Scenario.....	10
Resolution 3B: From 10 April 2014 to Execution of Deed of Company Arrangement (inclusive) - Deed Administration Scenario	10
Resolution 3C: From Execution of Deed of Company Arrangement to Conclusion of Deed of Company Arrangement	10
Part 6: Disbursements.....	10
Explanatory note on disbursements	10
Part 7: Report on Progress of the External Administration	12

Part 8: Summary of Receipts and Payments	12
Part 9: ASIC Information Sheet on Remuneration Approval	12
Part 10: Queries	12
Schedule 1: Schedules of Rates	13
Schedule 2: Statement of receipts and payments from 6 March to 31 March 2014	2

Part 1: Declaration

This report sets out the information that the *Corporations Act* ("Act") and the 3rd Edition of the *Code of Professional Practice* published by the Australian Restructuring Insolvency & Turnaround Association ("ARITA") (formally the Insolvency Practitioners Association of Australia ("IPA")) requires Creditors to receive before voting on resolutions with respect to our claim for remuneration at the meeting of Creditors convened for 10 April 2014.

I have undertaken a proper assessment of our claim for remuneration as detailed in this report arising from our appointment as Administrators of Undercoverwear Limited (Administrators Appointed) ACN 108 962 152 in accordance with the law and applicable professional standards.

I am satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the external administration.

Part 2: Executive Summary

Remuneration previously determined by Creditors

No remuneration has been previously determined and paid in the external administration.

Remuneration for which approval is sought

This report provides details of the following remuneration for which approval is sought:

Table 1: Remuneration for which approval is sought

Period	Report Reference	Amount (ex GST)
Administration		
Resolution 1: 6-Mar-14 to 31-Mar-14 (inclusive)	Table 2	\$84,154.50
Resolution 2: 1-Apr-14 to 9-Apr-14 (inclusive)*	Table 3	\$30,325.00
Total		\$114,479.50
Resolution 3A: 10 April 2014 to Conclusion of Liquidation (inclusive)*	Table 4	\$43,872.50
Resolution 3B: 10 April 2014 to Execution of Deed of Company Arrangement (inclusive)*	Table 5	\$25,535.00
Deed Administration		
Resolution 3C: Execution of Deed of Company Arrangement to Effectuation of the Deed of Company Arrangement	Table 6	\$39,565.00

* The quantum of future remuneration for which approval is sought is based on an estimate of the work necessary to complete the administration. Should additional work beyond what is contemplated be necessary, further approval may be sought from creditors. If a lesser amount is incurred, we will limit our remuneration to that lesser amount. At this stage, based on the information presently available to us, we consider that it may be necessary to convene a further meeting of creditors to seek further approval from creditors. However the position may change depending on the progress of the external administration and the issues that may arise.

Please refer to the sections of the report detailed above for full details of the calculation and composition of the remuneration for which approval is sought.

The total aggregate amount of the remuneration for which approval is sought differs to the estimate of remuneration provided in our Initial Advice to Creditors dated 10 March 2014, which estimated a cost of \$110,000 (inclusive of GST) for the administration period. The increase beyond the initial estimate is due to the following reasons:

- Additional engagement and meetings with taxation advisers to review the company's classification for taxation purposes.
- Review required of senior staff of financial position and meetings required to discuss the proposed Deed of Company Arrangement.
- Drafting of Deed of Company Arrangement structure to assist interested parties.

Part 3: Description of Work Completed and to be Completed

Table 2: Work completed for the period 6 March 2014 to 31 March 2014

Company	Undercoverwear Limited (Administrators Appointed) ACN 108 962 152	From	6-Mar-14	To	31-Mar-14
Practitioners	G Muller & L McIntosh	Firm	FTI Consulting		
Administration Type	Administration				
Task	General Description	Includes			
Assets	Identification and protection of assets	- Tasks associated with identification of assets and initial contact with pre appointment insurance brokers. - Identifying insurance issues. - Lodgement of open cover facility with Blue Broking.			
0.9 hours					
\$489.00					
Creditors	Creditors	- Correspondence with creditors with telephone, email and letter. - Receipting of and maintaining proof of debt register. - Preparation of first report to creditors and associated attachments, - Preparation of documents for first meeting of creditors including minutes, agenda, attendance registers etc. - Attendance at first meeting of creditors. - Drafting and lodgement of first meeting minutes.			
16.1 hours					
\$8,258.50					
Employees	Employee enquiries	- Meeting with employees. - Answer enquiries regarding the administration and next steps. - Completion of separation certificates for terminated staff. - Termination of staff as required.			
1.0 hours					
\$387.50					

Table 2: Work completed for the period 6 March 2014 to 31 March 2014

Trade On Matters	- Attendance on site to meet with employees. - Trade-on matters including dealing with critical suppliers. - Putting into place and monitoring trade-on controls including ordering processes with creditors and approval process with administrators and their staff.
Trade On	
21.5 hours	
\$10,427.50	
Investigations	- Investigation into the financials of the company and associated tax losses. - Discussions with and engagement of taxation agents to assist in review and provide advice on position. - Review of organisational structure and determination of whether consolidated entity for taxation purposes.
Investigations	
9.0 hours	
\$4,905.00	

Table 3: Resolution 2 for work to be completed between 1 April 2014 and 9 April 2014

Company	Undercoverwear Limited (Administrators Appointed) ACN 108 962 152	From	1-Apr-14	To	9-Apr-14
Practitioners	G Muller & L McIntosh	Firm	FTI Consulting		
Administration Type	Administration				
Task Area	General Description	Includes			
Creditors	Creditor enquiries	- Receiving creditor enquiries - Maintaining register of creditor enquiries - Responding to creditor enquiries by telephone, email, facsimile and post			
22.0 hours					
\$9,745.00					
	Creditor reports & circulars	Section 439A report to creditors			
	Deed of Company Arrangement (DOCA)	- Communications with stakeholders concerning proposed DOCA - Negotiating terms of DOCA - Obtaining legal advice on DOCA terms - Drafting DOCA			
	Creditor Meetings	- Preparation of meeting notices, proxies and advertisements - Distribution of meeting notices & proxies - Preparation of agenda and other documents for meeting			
Investigation	Conducting investigation into affairs of the Company	- Investigation and review of tax loss position - Liaising with taxation accountants regarding			
30.0 hours					

Table 3: Resolution 2 for work to be completed between 1 April 2014 and 9 April 2014

\$17,300.00		information required and proposed value.
Administration	General	- Word processing including correspondence, file notes, agendas and minutes - Care and maintenance of the file
9.0 hours		
\$3,280.00	File review/checklist/document maintenance	- Document filing and maintenance - File reviews - Updating checklist
	Insurance	- Communications with broker concerning general insurance requirements - Identification and resolution of specific insurance issues - Reviewing policies of insurance - Communications with Company's broker
	Bank accounts	Bank account reconciliations
	Planning review	Ad hoc meetings concerning the status of the administration

Table 4: Resolution 3A for work to be completed from 10 April 2014 to Conclusion of the Liquidation

Company	Undercoverwear Limited (In Liquidation) ACN 108 962 152	From	10-Apr-14	To	Conclusion of Liquidation
Practitioners	G Muller & L McIntosh	Firm	FTI Consulting		

Administration Type

Task Area	General Description	Includes
Creditors 10.5 hours \$3,767.50	Creditor enquiries and second creditors meeting	- Receiving creditor enquiries - Maintaining register of creditor enquiries - Responding to creditor enquiries by telephone, email, facsimile and post - Attendance at second meeting of creditors. - Drafting and lodgement of minutes of second creditors meeting.
Investigation 10.0 hours \$5,700.00	Investigation	- Review of company financials and balance sheet and cash flow analysis of same. - Further collection and review of company books and records and listing of same. - Drafting and completion of report pursuant to section 533 of the Act. - Further investigation into value of tax losses held

Table 4: Resolution 3A for work to be completed from 10 April 2014 to Conclusion of the Liquidation

		in sale.
Dividend	Dividend	
21.0 hours		
\$9,175.00		▪ Review and adjudication of employee and unsecured party claims. ▪ Completion of dividend advertisements and documents calling for proof of debts. ▪ Calling for further supporting documentation of claims. ▪ Distribution of funds under dividend process.
Administration	General correspondence & word processing	
58.0 hours		▪ Word processing including correspondence, file notes, agendas and minutes ▪ Care and maintenance of the file
\$25,230.00	File review/checklist/document maintenance	▪ Administration review ▪ Document filing and maintenance ▪ File reviews ▪ Updating checklist

Table 5: Resolution 3B for work to be completed from 10 April 2014 to execution of the Deed of Company Arrangement

Company	Undercoverwear Limited (Subject to Deed of Company Arrangement) ACN 108 962 152	From	10-Apr-14	To	Execution of Deed of Company Arrangement
Practitioners	G Muller & L McIntosh	Firm	FTI Consulting		
Administration Type	Deed Administration				
Task Area	General Description	Includes			
Creditors 14.0 hours \$5,415.00	Creditor enquiries	- Receiving creditor enquiries - Maintaining register of creditor enquiries - Responding to creditor enquiries by telephone, email, facsimile and post			
	Processing proofs of debt (PODs) not relating to a dividend	- Issuing, receiving and filing PODs - Maintaining POD register			
	Deed of Company Arrangement (DOCA)	Finalising and executing DOCA			
	Creditor Meetings	- Preparation & lodgement of meeting minutes with ASIC - Responding to queries arising from meeting - Attendance at creditors meeting			
Investigation 5.0 hours \$2,870.00	Conducting investigation into affairs of the Company	Continued review of tax loss position.			
Administration 39.0 hours \$17,250.00	General correspondence & word processing	- Word processing including correspondence, file notes, agendas and minutes - Care and maintenance of the file			
	File review/checklist/document maintenance	- Administration review - Document filing and maintenance - File reviews - Updating checklist			
	Insurance	- Communications with broker concerning general insurance requirements - Identification and resolution of specific insurance issues - Reviewing policies of insurance - Communications with Company's broker			
	Bank accounts	Bank account reconciliations			

Table 5: Resolution 3B for work to be completed from 10 April 2014 to execution of the Deed of Company Arrangement

- Procuring and reviewing bank account statements
- Communications concerning bank account transactions

Table 6: Resolution 3C for work to be completed from Execution of the Deed of Company Arrangement to Effectuation of the Deed of Company Arrangement

Company	Undercoverwear Limited (Subject to Deed of Company Arrangement) ACN 108 962 152	From	Execution of Deed of Company Arrangement	To	Conclusion of the Deed of Company Arrangement
Practitioners	G Muller & L McIntosh	Firm	FTI Consulting		
Administration Type		Deed Administration			
Task Area	General Description	Includes			
Creditors 35.0 hours \$14,600.00	Creditor enquiries	▪ Receiving creditor enquiries ▪ Maintaining register of creditor enquiries ▪ Responding to creditor enquiries by telephone, email, facsimile and post			
	Processing proofs of debt (PODs) not relating to a dividend	▪ Issuing, receiving and filing PODs ▪ Maintaining POD register			
	Deed of Company Arrangement (DOCA)	▪ Lodgement of executed DOCA			
Dividend 37.0 hours \$13,925.00	Dividend	▪ Review and adjudication of creditor claims. ▪ Completion of dividend advertisements and documents calling for proof of debts. ▪ Calling for further supporting documentation of claims. ▪ Distribution of funds under dividend process.			
Administration 26.0 hours \$11,040.00	General correspondence & word processing	▪ Word processing including correspondence, file notes, agendas and minutes ▪ Care and maintenance of the file			
	File review/checklist/document maintenance	▪ Administration review ▪ Document filing and maintenance ▪ File reviews ▪ Updating checklist			
	Insurance	▪ Cancellation of insurance policies			
	Bank accounts	▪ Closing of bank accounts			

Table 6: Resolution 3C for work to be completed from Execution of the Deed of Company Arrangement to Effectuation of the Deed of Company Arrangement

- Entering of transactions
- Bank reconciliations

Part 4: Calculation of Remuneration

Resolution 1: Remuneration for the period 6 March 2014 to 31 March 2014 (inclusive)

Employee	Position	Rate/hour excl GST \$	Total actual hours	Total (excl GST) \$	Task Area				
					Assets	Creditors	Employees	Trade On	Investigation
					\$	\$	\$	\$	\$
Ginette Muller	Senior Managing Director	590.00	33.20	19,588.00	295.00	0.00	0.00	0.00	0.00
Lachlan McIntosh	Senior Managing Director	590.00	46.80	27,612.00	0.00	0.00	0.00	0.00	0.00
Danien Lau	Director 2	545.00	30.00	16,350.00	0.00	6,540.00	0.00	0.00	4,905.00
Oliver Schweizer	Managing Director	545.00	1.00	545.00	0.00	0.00	0.00	0.00	0.00
Renee Lobb	Director 1	485.00	33.60	16,296.00	194.00	1,406.50	339.50	10,427.50	0.00
Matthew Wilson	Senior Accountant 2	325.00	1.30	422.50	0.00	260.00	0.00	0.00	162.50
Ashleigh Ubank	Administration	130.00	0.10	13.00	0.00	0.00	0.00	0.00	13.00
Joan Springate	Administration	130.00	0.20	26.00	0.00	0.00	0.00	0.00	26.00
Neil Dempster	Associate I	130.00	24.60	3,198.00	0.00	52.00	39.00	0.00	0.00
Tanya Kraz	Receptionist	130.00	0.70	91.00	0.00	0.00	0.00	0.00	91.00
Tracey Rumbold	Administration	130.00	0.10	13.00	0.00	0.00	0.00	0.00	13.00
Total			171.60	84,154.50	489.00	8,258.50	378.50	10,427.50	4,905.00
GST				8,415.45					
Total (including GST)				92,569.95					
Average hourly rate (excluding GST)				490.4	543.3	513.0	378.5	485.0	545.0
									484.9

Resolution 2: Remuneration for the period 1 April 2014 to 9 April 2014 (inclusive)

Employee	Position	Rate/hour excl GST	Total actual hours	Total (excl GST) \$	Task Area					
					hrs	Creditors	hrs	Investigation	hrs	Administration
Ginette Muller	Senior Managing Director	\$ 600.00	1.0	\$ 600.00	0.0	\$ -	0.0	\$ -	1.0	\$ 600.00
Lachlan McIntosh	Senior Managing Director	\$ 600.00	10.0	\$ 6,000.00	0.0	\$ -	10.0	\$ 6,000.00	0.0	\$ -
Oliver Schweizer	Managing Director	\$ 570.00	10.0	\$ 5,700.00	0.0	\$ -	10.0	\$ 5,700.00	0.0	\$ -
Damien Lau	Director 2	\$ 560.00	20.0	\$ 11,200.00	8.0	\$ 4,480.00	10.0	\$ 5,600.00	2.0	\$ 1,120.00
Renee Lobb	Director 1	\$ 510.00	11.0	\$ 5,610.00	9.0	\$ 4,590.00	0.0	\$ -	2.0	\$ 1,020.00
Neil Dempster	Associate I	\$ 135.00	9.0	\$ 1,215.00	5.0	\$ 675.00	0.0	\$ -	4.0	\$ 540.00
Total			61.0	\$ 30,325.00	22.0	\$ 9,745.00	30.0	\$ 17,300.00	9.0	\$ 3,280.00
GST				\$ 3,032.50						
Total (including GST)				\$ 33,357.50						

Resolution 3A: Remuneration for the period 10 April 2014 to Conclusion of Liquidation

Employee	Position	Rate/hour		Total actual		Total		Task Area							
		excl GST	hrs	excl GST	hrs	excl GST	hrs	Creditors	Employees	Investigation	Dividend	Administration	hrs	hrs	hrs
Ginette Muller	Senior Managing Director	\$ 600.00	6.0	\$ 3,600.00		\$ -		\$ -	\$ -	\$ -	1.0	\$ 600.00	5.0	\$ 3,000.00	
Lachlan McIntosh	Senior Managing Director	\$ 600.00	7.0	\$ 4,200.00		\$ -		\$ -	\$ -	2.0	\$ 1,200.00	\$ -	5.0	\$ 3,000.00	
Oliver Schweizer	Managing Director	\$ 570.00	7.0	\$ 3,990.00		\$ -		\$ -	\$ -	2.0	\$ 1,140.00	\$ -	5.0	\$ 2,850.00	
Damien Lau	Director 2	\$ 560.00	22.0	\$ 12,320.00		2.0	\$ 1,120.00	4.0	\$ 2,240.00	6.0	\$ 3,360.00	5.0	\$ 2,800.00		
Renee Lobb	Director 1	\$ 510.00	32.0	\$ 16,320.00		4.0	\$ 2,040.00	8.0	\$ 4,080.00	\$ -		10.0	\$ 5,100.00		
Neil Dempster	Associate I	\$ 135.00	25.5	\$ 3,442.50		4.5	\$ 607.50	6.0	\$ 810.00	\$ -		5.0	\$ 675.00	10.0	\$ 1,350.00
Total			99.5	\$ 43,872.50		10.5	\$ 3,767.50	18.0	\$ 7,130.00	10.0	\$ 5,700.00	21.0	\$ 9,175.00	40.0	\$ 18,100.00
GST				\$ 4,387.25											
Total (including GST)				\$ 48,259.75											

Resolution 3B: Remuneration for the period 10 April 2014 to Execution of the Deed of Company Arrangement

Employee	Position	Rate/hour excl GST	Total actual hours	Total (excl GST)	Task Area			
					hrs	Creditors	hrs	Administration
Ginette Muller	Senior Managing Director	\$ 600.00	2.0	\$ 1,200.00	-	\$ -	2.0	\$ 1,200.00
Lachlan McIntosh	Senior Managing Director	\$ 600.00	3.0	\$ 1,800.00	1.0	\$ 600.00	2.0	\$ 1,200.00
Oliver Schweizer	Managing Director	\$ 570.00	8.0	\$ 4,560.00	3.0	\$ 1,710.00	5.0	\$ 2,850.00
Damien Lau	Director 2	\$ 560.00	13.0	\$ 7,280.00	3.0	\$ 1,680.00	9.0	\$ 5,040.00
Renee Lobb	Director 1	\$ 510.00	17.0	\$ 8,670.00	6.0	\$ 3,060.00	11.0	\$ 5,610.00
Neil Dempster	Associate I	\$ 135.00	15.0	\$ 2,025.00	5.0	\$ 675.00	10.0	\$ 1,350.00
Total			58.0	\$ 25,535.00	14.0	\$ 5,415.00	39.0	\$ 17,250.00
GST				\$ 2,553.50				
Total (including GST)				\$ 28,088.50				

Resolution 3C: Remuneration from Execution of the Deed of Company Arrangement to Effectuation of the Deed of Company Arrangement

Employee	Position	Rate/hour		Total actual hours	Total (excl GST)	Task Area					
		excl GST	hours			hrs	Creditors\$	hrs	Dividend	hrs	Administration
Ginette Muller Lachlan McIntosh Oliver Schweizer Damien Lau Renee Lobb	Senior Managing Director	\$ 600.00	4.0	\$ 2,400.00	0.0	\$ -	2.0	\$ 1,200.00	2.0	\$ 1,200.00	
	Senior Managing Director	\$ 600.00	2.0	\$ 1,200.00	0.0	\$ -	0.0	\$ -	2.0	\$ 1,200.00	
	Managing Director	\$ 570.00	2.0	\$ 1,140.00	0.0	\$ -	0.0	\$ -	2.0	\$ 1,140.00	
	Director 2	\$ 560.00	26.0	\$ 14,560.00	10.0	\$ 5,600.00	10.0	\$ 5,600.00	6.0	\$ 3,360.00	
	Director 1	\$ 510.00	31.0	\$ 15,810.00	15.0	\$ 7,650.00	10.0	\$ 5,100.00	6.0	\$ 3,060.00	
Neil Dempster	Associate I	\$ 135.00	33.0	\$ 4,455.00	10.0	\$ 1,350.00	15.0	\$ 2,025.00	8.0	\$ 1,080.00	
Total			98.0	\$ 39,565.00	35.0	\$ 14,600.00	37.0	\$ 13,925.00	26.0	\$ 11,040.00	
GST			\$	3,956.50							
Total (including GST)			\$	43,521.50							

Part 4: Calculation of Remuneration (cont.)

Resolution 2: Remuneration from 1 April 2014 to 9 April 2014 (inclusive)

This resolution is with respect to work that had not been carried out when this report was prepared. As such it is not possible to provide a calculation of the remuneration. A calculation of the cost of time incurred will be available at the meeting of Creditors on request.

Resolution 3A: Remuneration from 10 April 2014 to Conclusion of Liquidation (inclusive)

This resolution is with respect to work that had not been carried out when this report was prepared. As such it is not possible to provide a calculation of the remuneration.

Resolution 3B: Remuneration from 10 April 2014 to Execution of Deed of Company Arrangement (inclusive)

This resolution is with respect to work that had not been carried out when this report was prepared. As such it is not possible to provide a calculation of the remuneration.

Resolution 3C: Remuneration from Execution of Deed of Company Arrangement to Effectuation of the Deed of Company Arrangement

This resolution is with respect to work that had not been carried out when this report was prepared. As such it is not possible to provide a calculation of the remuneration.

Part 5: Statement of Remuneration Claim

The Act requires our remuneration to be determined before it can be drawn by us. The determination must be made by creditors at a Meeting of Creditors, by a Committee of Creditors or Inspection or by the Court.

At the meeting of creditors, we will ask creditors to determine our remuneration by passing the following resolutions:

Resolution 1: Remuneration to 31 March 2014 (inclusive)

The remuneration of the Administrators of Undercoverwear Limited (Administrators Appointed) ACN 108 962 152 for the period 6 March 2014 to 31 March 2014 (inclusive) be determined in the amount of \$84,154.50 plus GST and that the Administrators be authorised to draw same.

Resolution 2: Remuneration between 1 April 2014 and 9 April 2014 (inclusive)

The remuneration of the Administrators of Undercoverwear Limited (Administrators Appointed) ACN 108 962 152 for the period 1 April 2014 to 9 April 2014 (inclusive) be determined at a sum equal to the cost of time incurred by the Administrators and the staff of FTI Consulting, calculated in accordance with the hourly rates applicable to the grades or classifications set out on the FTI Consulting Schedule of Standard Rates effective 1 April 2014, to a maximum amount of \$30,325.00 plus GST and that the Administrators be authorised to draw same.

Resolution 3A: From 10 April 2014 to Conclusion of Liquidation (inclusive) – Liquidation Scenario

The remuneration of the Administrators and of the Liquidator of Undercoverwear Limited (Administrators Appointed) ACN 108 962 152 for the period from and including 10 April 2014 be determined at an initial sum equal to the cost of time incurred by the Administrators and by the Liquidator and staff of FTI Consulting, calculated at the hourly rates applicable to the grades or classifications set out on the FTI Consulting of Standard Rates effective , to a maximum amount of \$43,872.50 plus GST, and that the Administrators and Liquidator be authorised to draw the remuneration on a monthly basis or as required.

Resolution 3B: From 10 April 2014 to Execution of Deed of Company Arrangement (inclusive) - Deed Administration Scenario

The remuneration of the Deed Administrators of Undercoverwear Limited (Subject to Deed of Company Arrangement) ACN 108 962 152 for the period from and including 10 April 2014 be determined at an initial sum equal to the cost of time incurred by the Deed Administrators and staff of FTI Consulting, calculated at the hourly rates applicable to the grades or classifications set out on the FTI Consulting of Standard Rates effective , to a maximum amount of \$25,535.00 plus GST, and that the Deed Administrators be authorised to draw the remuneration on a monthly basis or as required.

Resolution 3C: Remuneration from Execution of Deed of Company Arrangement to Effectuation of the Deed of Company Arrangement

The remuneration of the Deed Administrators of Undercoverwear Limited (Subject to Deed of Company Arrangement) ACN 108 962 152 for the period from the execution of the Deed of Company Arrangement to the effectuation of the Deed of Company Arrangement be determined at an initial sum equal to the cost of time incurred by the Deed Administrators and staff of FTI Consulting, calculated at the hourly rates applicable to the grades or classifications set out on the FTI Consulting of Standard Rates effective , to a maximum amount of \$23,010.00 plus GST, and that the Deed Administrators be authorised to draw the remuneration on a monthly basis or as required.

Remuneration is calculated in accordance with the hourly rates applicable to the grades or classifications set out in the FTI Consulting Standard Rates effective 1 July 2013 and 1 April 2014 which appear at Schedule 1.

At this stage, based on the information presently available to us, we consider that it may be necessary to convene a further meeting of creditors to seek further approval from creditors. This position may change depending on the progress of the external administration and the issues that may arise in its' course.

Part 6: Disbursements

Explanatory note on 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 external 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 have undertaken a proper assessment of disbursements incurred during this external administration in accordance with the law and applicable professional standards. I am satisfied that the disbursements incurred are necessary and proper.

The following disbursements have been incurred by the external administration to FTI Consulting during the period 6 March 2014 to 31 March 2014. Where an amount has been paid to FTI Consulting as reimbursement of externally provided services and costs such payment is on account of an amount previously paid by FTI Consulting due to a lack of funds in the external administration at the time the payment was due pursuant to the invoicing of FTI Consulting by the supplier. All of the disbursements as summarised below are disclosed as appointee disbursements in the summary of receipts and payments which appears in Schedule 2 of this report.

Where payments to third parties have been made from the bank account of the external administration, those payments are also included in the summary of receipts and payments.

Table: Disbursements for the period 6 March 2014 to 31 March 2014

Type	Basis of charge Excl GST	Amount excl GST \$
Externally provided professional services		
	At cost	0.00
Sub-total		0.00
Externally provided non-professional services		
	At cost	0.00
Sub-total		0.00
Internal disbursements		
Airfare	At cost	1,784.10
Lodging	At cost	269.84
Meal	At cost	82.63
Mileage_FR	At ATO rates	120.00
Parking	At cost	65.45
Telephone/Fax	\$0.10 per unit of time charged	1,777.27
Postage	At cost	
Sub-total		1,784.10
Total		1,784.10

Creditor approval for disbursements is not required. However creditors have the right to question the incurring of the disbursements and can challenge disbursements in Court.

Future disbursements provided by FTI Consulting will be charged to the external administration on the following basis

Nature of Disbursement	Rate (excluding GST)
Advertising and search fees	At cost
Couriers and deliveries	At cost
Postage	At cost
Facsimile, Printing and photocopying	\$0.09 per unit of time charged
Telephone calls	\$0.10 per unit of time charged
Staff travel - mileage	Cents per km method (per ATO rates)
Other staff travel/out of pockets	At cost
Storage of records (including boxes)	At cost

Part 7: Report on Progress of the External Administration

The progress of the external administration is detailed in the Section 439A Report to Creditors which accompanies this report.

Part 8: Summary of Receipts and Payments

A summary of receipts and payments to and from the external administration bank account for the period 6 March 2014 to 31 March 2014 appears as Schedule 2 of this report.

If any large or exceptional receipts and payments are received or made after this report is prepared but before the meeting at which this claim for remuneration will be considered, additional information will be provided at the meeting.

Part 9: ASIC Information Sheet on Remuneration Approval

ASIC has produced a series of information sheets about insolvency which includes "*Information Sheet 85 Approving Fees: A Guide to Creditors*". Those information sheets can be downloaded from the ASIC web site www.asic.gov.au/insolvencyinfosheets or from the ARITA web site www.arita.com.au.

Part 10: Queries

Please let us know if you have any queries or require any further information concerning our claim for remuneration.

Yours faithfully

Undercoverwear Limited (Administrators Appointed)



Ginette Muller
Joint & Several Administrator

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Schedule 1: Schedules of Rates

FTI Consulting Standard Rates effective 1 April 2014 (excluding GST)			
Typical classification	Perth Melbourne Brisbane Gold Coast \$/hour	Sydney \$/hour	General guide to classifications
Senior Managing Director	600	625	Registered/Official 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	570	580	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/Official Liquidator and/or Trustee. Alternatively, has extensive leadership/senior management experience in business or industry.
Senior Director	560	570	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/Official 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	510	510	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	415	440	Typically an ARITA 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	360	380	Assists with the planning and control of small to medium administrations. May have the conduct of minor administrations. Can supervise staff. Has experience performing more difficult tasks on larger administrations.
Consultant 2	340	360	Typically ICAA qualified (or similar). Required to control the tasks on small administrations and is responsible for assisting with tasks on medium to large administrations.
Consultant 1	300	315	Qualified accountant with several years experience. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 2	270	280	Typically a qualified accountant. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 1	250	260	Typically a university undergraduate or graduate. Required to assist with day-to-day tasks under the supervision of senior staff.
Administration 2	175	185	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 or similar skills.
Administration 1	135	155	Has appropriate skills and experience to support professional staff in an administrative capacity.

The FTI Consulting Standard Rates above apply to the Corporate Finance/Restructuring practice only and are subject to review each year..

FTI Consulting Standard Rates effective 1 July 2013
Excluding GST

Classification	Perth Melbourne Brisbane Gold Coast	Sydney	Guide to Level of Experience
	\$/hour	\$/hour	
Senior Managing Director	590	620	Registered/Official Liquidator and/or Trustee. Specialist skills brought to the administration. Generally in excess of 10 years experience.
Managing Director	550	560	Specialist skills brought to the administration. Generally in excess of 10 years experience. Answerable to the appointee, but otherwise responsible for all aspects of a small to large administration.
Senior Director	545	555	More than 8 years insolvency experience or equivalent. Answerable to the appointee, but otherwise responsible for all aspects of a small to large administration. May also be Registered/Official Liquidator and/or Trustee or have experience sufficient to support an application to become a Registered/Official Liquidator or Trustee.
Director	485	495	5-8 years insolvency experience or equivalent. Well developed technical and commercial skills. Will have conduct of small to large administrations and experience in control of a medium to large team of staff.
Senior Consultant 2	395	425	4-6 years insolvency experience or equivalent. Will have conduct of minor administrations and experience in control of a small to medium team of staff. Assists planning and control of medium to larger administrations.
Senior Consultant 1	345	370	3-4 years insolvency experience or equivalent. Assists planning and control of small to medium administrations as well as performing some of the more difficult tasks on larger administrations.
Consultant 2	325	350	2-3 years insolvency experience or equivalent. Required to control the tasks on small administrations and is responsible for assisting tasks on medium to large administrations.
Consultant 1	285	305	Graduate with 1-2 year insolvency experience or equivalent. Required to assist in day-to-day tasks under supervision of more senior staff.
Associate 2	255	270	Graduate with more than 1 year insolvency experience or equivalent. Required to assist in day-to-day tasks under supervision of more senior staff.
Associate 1	235	250	Undergraduate or graduate with 0-1 year insolvency experience or equivalent. Required to assist in day-to-day tasks under supervision of more senior staff.
Administration 2	170	180	Administrative work including superior knowledge of software packages, personal assistance work, high speed and accurate data entry. Appropriate skills, including books and records management and accounts processing particular to the administration including filing. Appropriate software and data processing skills necessary to record banking and accounting information.
Administration 1	130	150	Classification would depend on experience, salary and complexity of work to be conducted.

The FTI Consulting Standard Rates above apply to the Corporate Finance/Restructuring practice only and are subject to review each year.

Schedule 2: Statement of receipts and payments from 6 March to 31 March 2014

For the period 6 March 2014 to 31 March 2014, there were no receipts or payments.



Ginette Muller
+61.(0)7.3255.4900

Ginette.Muller@fticonsulting.com

Renee Lobb
+61.(0)7.3255.4900

Renee.Lobb@fticonsulting.com

Liability limited by a scheme approved under Professional Standards Legislation

CRITICAL THINKING
AT THE CRITICAL TIME™

About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring.

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Corporations Act 2001 (Cth)

**NOTICE OF SECOND MEETING OF CREDITORS
OF COMPANY UNDER ADMINISTRATION**

**UNDERCOVERWEAR LIMITED
(ADMINISTRATORS APPOINTED)
("the Company")
ACN 108 962 162**

NOTICE IS HEREBY GIVEN that the second meeting of creditors of the Company will be held on Thursday, 10 April 2014, at FTI Consulting, Level 15, 50 Pitt Street, Sydney, NSW, commencing at 3:00pm AEST.

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 second meeting of creditors be adjourned for a period not exceeding 45 business days; or
 - ii) that the Company execute a deed of company arrangement; or
 - iii) that the administration should end; or
 - iv) that the Company be wound up.
2. Creditors will be requested to fix the remuneration to be paid to the Administrators, as calculated on a time basis, at the FTI Consulting Schedule of Hourly Rates, for the period 6 March 2014 to 9 April 2014.
3. If creditors resolve that the Company execute a deed of company arrangement then creditors will be requested to fix the remuneration to be paid to the Administrators, as calculated on a time basis, at the FTI Consulting Schedule of Hourly Rates, for the period 10 April 2014 to the execution of the deed of company arrangement. Creditors will also be requested to fix the remuneration of the Deed Administrators as calculated on a time basis, at the FTI Consulting Schedule of Hourly Rates from the execution of the deed of company arrangement to the effectuation of the deed of company arrangement.
4. If the Company is placed into Liquidation, to consider the appointment of a Committee of Inspection and if required, to determine the members;
4. If no Committee of Inspection is appointed, the Liquidators will seek to have creditors resolve that the remuneration of the Liquidators, their partners and staff, be fixed on a time basis at the FTI Consulting Schedule of Hourly Rates for the period 10 April 2014 to finalisation of the Liquidation; and
5. Any other business properly brought before the meeting.

Creditors wishing to vote at the meeting, who will not be attending in person or are a company, must complete and return a Proxy Form by no later than 4.00pm on the last business day prior to the meeting, by post to FTI Consulting, GPO Box 3127, Brisbane, Queensland, 4001 or by facsimile on (07) 3225 4999. A form of proxy is ***attached**.

Dated this 3rd day of April 2014.

A handwritten signature in black ink, appearing to be 'Ginette Muller', written in a cursive style.

Ginette Muller
Administrator

***Attach.**

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APPOINTMENT OF PROXY	Form 532 Regulation 5.6.29 Corporations Act 2001 (Cth)
Undercoverwear Ltd (Administrators Appointed) ACN 108 962 152 ("the Company")	

A. Insert Full Name and Contact Details (please print)

Given Name	Surname
Company Name	Telephone Number
Address	

B. Appointment of a Proxy (please complete)

I/We, a creditor of the Company appoint:

_____ of _____

as my/our proxy, or in his/her absence _____, to vote at the meeting of creditors to be held on Thursday, 10 April 2014 at FTI Consulting, Level 15, 50 Pitt Street, Sydney NSW at 3:00pm AEST or at any adjournment of that meeting.

C. Voting by Your Proxy

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). ☐

Resolution (<i>please specify the particular resolution</i>)	For	Against	Abstain
that the meeting be adjourned for a period not to exceed 45 business days	☐	☐	☐
that the Company execute a deed of company arrangement	☐	☐	☐
that the administration should end	☐	☐	☐
that the Company be wound up	☐	☐	☐

D. Signature Section (in accordance with Sections 82A, 127 or 250D of the Corporations Act 2001 (Cth))

Signature of individual or person authorised by corporate resolution to represent corporation

The common seal was affixed hereto in the presence of:

Print Name:

Director

Director/Company Secretary

Dated this _____ day of _____

CERTIFICATE OF WITNESS

Please Note: This certificate is to be completed only where the person giving the proxy is blind or incapable of writing. The signature of the creditor is not to be attested by the person nominated as proxy. I, _____ of _____ certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

Signature of witness: _____

Form 535

Corporations Act 2001 (Cth)

Undercoverwear Limited (Administrators Appointed)
ACN 108 962 152

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To: The Administrators of Undercoverwear Limited

1. This is to state that the company was on 6 March 2014 and still is, justly and truly indebted:-

TO:
(name of creditor)OF:
(address of creditor)FOR:
(amount owed to creditor)

AND cents.

Particulars of the debt are:-

<u>Date</u> (insert date when debt arose)	<u>Consideration</u> (state how the debt arose & <u>attach supporting invoices</u> <u>& statements of account</u>)	<u>Amount (\$)</u>	<u>Remarks</u> (include details of voucher substantiating payment)
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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).

<u>Date</u>	<u>Drawer</u>	<u>Acceptor</u>	<u>Amount (\$...c)</u>	<u>Due Date</u>
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- *3. 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.

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

Dated this _____ day of _____ Signature

Name

Address

*Delete if not applicable.