

20 June 2016

**Laura Ashley (Australia) Pty Ltd (Administrators Appointed)**

**ACN 004 817 323 (“the Company”)**

**Circular to Creditors**

Creditors are advised that the second meeting of creditors of the Company is to reconvene and be held on **Thursday, 30 June 2016 at 10:00 A.M.** at **The Institute of Chartered Accountants, Level 3, Bourke Place, 600 Bourke Street, Melbourne, Victoria 3000** for the purpose of creditors determining the future of the Company.

To enable the meeting to commence promptly at 10:00 A.M., creditors are requested to arrive no later than 9:45 A.M. so that the required registration and administrative matters can be attended to.

The following documents are enclosed:

- (i) Form 529 – Notice of Reconvened Second Meeting of Creditors of Company under Administration;
- (ii) Form 532 – Appointment of Proxy; and
- (iii) Proof of Debt for Voting Purposes.

Pursuant to orders obtained in the Supreme Court of Victoria on 3 February 2016, documents that are normally required to accompany this report are alternatively available for downloading via the FTI Consulting website at [www.fticonsulting-asia.com/cip](http://www.fticonsulting-asia.com/cip) (“**FTI Consulting Website**”). The password for access to the Laura Ashley Creditors’ Portal is “450328.fti”.

Accordingly, the Administrators direct all creditors to the FTI Consulting Website for access to the following documents relevant to the reconvened second meeting of creditors:

- (i) Form 529 – Notice of Reconvened Second Meeting of Creditors of Company under Administration;
- (ii) Administrators’ Report pursuant to Section 439A of the Corporations Act 2001 (“**the Act**”);
- (iii) Remuneration Report for the Company dated 21 June 2016;
- (iv) Form 532 – Appointment of Proxy; and
- (v) Proof of Debt for Voting Purposes.

**FTI Consulting (Australia) Pty Limited**

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Creditors who are unable to access and download the documents can request that copies be mailed to them by contacting this office either by:

- (i) Email:                LauraAshleyCreditors@fticonsulting.com  
                              LauraAshleyEmployees@fticonsulting.com
- (ii) Telephone:        (03) 9604 0600.

## **Update to Creditors**

### **1. Background**

This is an addendum to the report provided to creditors dated 16 May 2016 pursuant to Section 439A of the Act and should be read in conjunction with same.

The purpose of this report is to provide creditors with an update on the Voluntary Administration of the Company and to confirm the Administrators' recommendation for the future of the Company.

### **2. Adjournment of Second Meeting of Creditors**

At the second meeting of creditors of the Company held on 26 May 2016, creditors resolved that the meeting be adjourned for a period not exceeding 25 business days in accordance with Section 439B(2) of the Act.

Creditors determined that a short adjournment was appropriate to allow completion of the conditional sale to occur with the broader protection afforded to a company under Administration.

### **3. Sale of the Company's Business and Assets**

The Administrators advise that the sale of the Company's business and assets was completed on 10 June 2016. Control of the Company's trading operations transferred to the Purchaser, L. Ashley Pty Ltd ("**Purchaser**") on this date.

The Administrators reiterate their previous advice to creditors that on balance, the sale represents the most favourable outcome in that:

- (i) The sale provided for a superior return on the Company's assets;
- (ii) A significant number of employees retained employment and their outstanding entitlements transferred to the Purchaser, avoiding the crystallisation of retrenchment entitlements;
- (iii) As the Purchaser has reached commercial agreement with the majority of landlords over the ongoing occupation of the Company's leased premises, contingent liability claims have been minimised;
- (iv) Costs involved in the realisation of the Company's assets, including the Administrators' fees, have been minimised.

The Administrators are continuing to work with the Purchaser to resolve a number of issues post settlement.

The Administrators consider that all such issues should be resolved before the reconvened second meeting of creditors.

#### **4. Future of the Company**

At the adjourned second meeting of creditors reconvened for 30 June 2016, creditors by resolution will determine the future of the Company, namely whether:

- The administration ends; or
- The Company executes a Deed of Company Arrangement (“DOCA”); or
- The Company be placed into liquidation.

#### **5. Administrators’ Recommendation**

The Administrators’ recommendation as to the future of the Company has not changed since our report to creditors dated 16 May 2016.

The Company is insolvent and therefore the administration should not end and control revert back to the Director.

No DOCA has been proposed at the time of writing or is expected to be proposed.

**The Administrators therefore consider and recommend that it is in the best interests of creditors that the Company be placed into liquidation and the Administrators be appointed as Liquidators.**

The appointment of Liquidators, among other things, will allow:

- Terminated employees to access the Fair Entitlements Guarantee (“FEG”) scheme for outstanding employee entitlements;
- The continuation of investigations into the affairs of the Company prior to the Administration; and
- Where of merit, the commencement of recovery actions for antecedent transactions uniquely available in a liquidation, potentially including unfair preference payments and a claim for trading whilst insolvent against the Director.

As it stands, the Administrators see no reason for a further adjournment of the second meeting of creditors (any part of the further 20 business days that would be available under the Act).

#### **6. Estimated Return to Creditors**

The Administrators’ estimate of returns that may be available to creditors in a liquidation of the Company has not changed since our last report. The possible estimated return to different classes of creditors is summarised in the table below:

### Summary of Estimated Outcomes in Liquidation

	Cents in \$	Timing
Secured Creditors	0 to 62 cents	12+ months
Employee Superannuation	36 to 100 cents	12+ months
Employee Entitlements - FEG Funded	100 cents	3 to 4 months
Employee Entitlements - Not FEG Funded	0 to 100 cents	12+ months
Ordinary Unsecured Creditors	0 to 10 cents	12+ months

## 7. Administrators' Remuneration

At the meeting of creditors held on 26 May 2016, creditors approved the Administrators' remuneration for the period 1 May 2016 to 13 May 2016 in the amount of \$118,904 plus disbursements and GST.

The Administrators will seek approval of the following fee resolutions at the meeting of creditors for their fees from 14 May 2016:

### Fee Resolutions to be proposed at the Reconvened Second Meeting of Creditors

Period	Amount (excl. GST) (\$)
<b>Administration Period</b>	
14 May 2016 to 15 June 2016	335,432.50
16 June 2016 to 30 June 2016	100,000.00
<b>Liquidation (Preliminary approval)</b>	
From 30 June 2016	300,000.00

It is noted that approval for fees with a value approximating \$130,000 incurred over the course of the Administration is not being sought by the Administrators.

The extension of the Administration, while resulting in additional fees being incurred by the Administrators, was required to see the sale of the business to finalisation.

The Administrators have also used this time to conduct further investigations into potential recoveries available in a liquidation and to verify employee entitlements for FEG claims in a liquidation.

This preparation work was performed to ensure FEG claims may be assessed quickly after the commencement of the liquidation and that any potential recovery procedures may be instigated promptly.

Effectively, considerable work that would have been undertaken in a liquidation has been carried out during the Administration.

The Administrators have attended to the following major matters since the meeting of creditors on 26 May 2016:

- (i) Continuing to trade the Company's business while the conditions of the sale agreement were met;
- (ii) Preparing for and effecting completion of the sale with the Purchaser;

- (iii) Liaising with the licensor, Laura Ashley Limited, regarding their negotiations with the Purchaser to grant a licence agreement;
- (iv) Discussions with landlords regarding continuation of existing lease agreements while the Company remains in Administration and their negotiations with the Purchaser to grant new lease agreements;
- (v) Liaising with the Purchaser regarding staff which are being offered new employment with the Purchaser;
- (vi) Providing notice to terminated employees, including quantifying their entitlements for potential FEG claims;
- (vii) Conducting further investigations and preparing for the prompt commencement of actions in anticipation of the Company proceeding to liquidation;
- (viii) Effecting settlement and a handover of the business; and
- (ix) Reconvening the second meeting of creditors by preparing this report and associated documents.

## **8. Reconvened Second Meeting of Creditors**

### **(a) Proof of Debt**

Please note that Regulation 5.6.23 of the Corporations Act 2001 provides that a creditor is not entitled to vote at a meeting unless their claim has been admitted by the Administrators or the creditor has lodged with the Administrators particulars of the debt or claim.

If you have already lodged a proof of debt it is not necessary to lodge another for this meeting.

If you have not already lodged or wish to amend a proof of debt previously lodged, the enclosed proof of debt form (also available via the FTI Consulting website) must be completed and returned to this office no later than 5:00 P.M. on Wednesday, 29 June 2016.

### **(b) Voting by Proxy**

Certain resolutions from the proxy form used for the second meeting of creditors on 26 May 2016 are now considered redundant.

If you previously submitted a **general proxy form** for the second meeting of creditors on 26 May 2016, your proxy is still valid for use at the reconvened second meeting of creditors on 30 June 2016.

If you intend to appoint another person to vote on your behalf at the reconvened meeting in a certain way via a **special proxy**, you will be required to complete and return the enclosed proxy form with respect to the resolutions which have changed, and to confirm your original voting intention.

The proxy form is also available via the FTI Consulting website and must be returned to this office no later than 5.00 P.M. on Wednesday, 29 June 2016.

If you are a corporate creditor and you wish to be represented at the meeting then please ensure the proof of debt and proxy forms are completed by a duly authorised representative.

A company may execute a document without a common seal if the document is signed by two (2) directors of the company, a director and secretary of the company, or if a sole director company, by the director if the director is also the company secretary.

**(c) Attendance at the meeting**

Telephone dial-in facilities for the meeting will be available. Please contact this office to register as a teleconference participant and obtain the necessary details.

**9. Way Forward**

The Administrators will provide creditors with a further update at the meeting of creditors.

In the meantime, should you have any queries in relation to the administration of the Company, the following reference and contact points are available:

Employees: LauraAshleyEmployees@fticonsulting.com

Trading: LauraAshleyOperations@fticonsulting.com

Creditors: LauraAshleyCreditors@fticonsulting.com

Telephone: (03) 9604 0600

Thank you for your support during the administration.

Yours faithfully

**Laura Ashley (Australia) Pty Ltd  
(Administrators Appointed)**



**Ross Blakeley  
Administrator**

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