

17 December 2019

**A.C.N. 004 817 323 PTY LTD (IN LIQUIDATION)
FORMERLY KNOWN AS LAURA ASHLEY (AUSTRALIA) PTY LTD
ACN 004 817 323 ("COMPANY")**

UPDATE TO CREDITORS

I refer to my update to Creditors dated 2 November 2018 and provide herein a further update on the progress of the liquidation of the Company.

1. Change of Company Name and L Ashley Pty Ltd

As creditors will recall, the Liquidators sold the business assets of the Company to L Ashley Pty Ltd ("Purchaser"). Part of the terms of the sale required the Liquidators to transfer the business name 'Laura Ashley' to the Purchaser. In this regard, the Liquidators have filed the relevant documents to change the name of the Company to its ACN, with the Company now officially called ACN 004 817 323 Pty Ltd (In Liquidation).

Creditors may be aware that the Purchaser was placed into voluntary administration on 3 December 2018 and subsequently liquidation on 14 February 2019 with representatives from KordaMentha appointed to oversee that external administration.

The Liquidators understand that there may be some confusion amongst creditors as to whether the Company or the Purchaser is liable for claims owing to them. For clarification purposes, any claim incurred and outstanding up until 7 January 2016 is a claim in this liquidation, whilst any other debts incurred after this date is a claim in the liquidation of the Purchaser.

2. Unfair Preference Claims

Since the last update, the Liquidators commenced recovery action against the two remaining recipients of unfair preference payments. Both claims were settled resulting in total recovery of \$115,000.

The total quantum of unfair preference claim recoveries is \$2,845,012. There are no further unfair preference claims to be pursued in the Liquidation.

3. Insolvent Trading

Creditors may recall that the Liquidators identified a potential claim against the Director for insolvent trading, which could also include a claim under the Company's Management Liability Insurance policy.

Whilst considerable time has been expended and the matter has significantly progressed, it has become evident that it will be necessary to formally issue insolvent trading proceedings against the Director in order to resolve the claim.

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The Liquidators have sought funding from the Federal Government Fair Entitlements Guarantee Recovery Program ("FEG") to potentially fund the insolvent trading claim. The Liquidators will continue to retain the funds from recoveries to date to alternatively finance the potential insolvent trading claim in the absence of obtaining external funding from FEG.

If funding is obtained, the Liquidators will consider making an interim distribution to the Australian Taxation Office ("ATO") in partial satisfaction for outstanding employee superannuation guarantee charge ("SGC"). Employees are advised that a dividend for SGC is paid to the ATO in accordance with Section 556 of the Corporations Act, who then distribute relevant amounts to employees' respective funds.

This, however, will be contingent on the quantum and terms of any funding made available together with other considerations such as indemnities for adverse costs. Notification of the outcome of the Liquidators' funding application is expected in early 2020.

Creditors should note that the timeframe to the conclusion of the insolvent trading claim is out of the control of the Liquidators as it follows a court process and is incumbent on the respondent engaging and promptly dealing with the claim. An insolvent trading claim, whilst potentially financially beneficial for stakeholders, is inherently complex and uncertain. Consequently, it is not possible at this time to estimate how long it may take to conclude any action, and prospects of success.

4. Professional Fees

To date, the Liquidators have drawn professional fees as approved by creditors in the amount of \$1,162,056 (excluding GST).

As at 29 November 2019 the Liquidators outstanding unapproved professional fees were \$185,372.24 (excluding GST). The Liquidators anticipate that they will incur further fees of between \$300,000 and \$600,000 (excluding GST), contingent on the progression and direction of the insolvent trading claim. If an early resolution can be achieved, expected costs are anticipated to be at the lower end of the range.

The Liquidators anticipate convening a meeting of creditors in early 2020 to provide creditors with an update on the liquidation and also to seek approval of their accrued and prospective remuneration. The next update to creditors will provide additional details and a breakdown of the remuneration approval sought by the Liquidators at that time.

5. Estimated Return to Creditors

A claim for unpaid employee entitlements ranks in priority to unsecured creditors. A return to employee creditors for outstanding SGC is likely however the quantum and timing is subject to the conduct and outcome of the insolvent trading claim.

Any return to unsecured creditors is dependent on the successful recovery and quantum of the insolvent trading claim.

6. Resignation of Joint and Several Liquidator

On 27 September 2019, Mr Quentin Olde resigned as one of the Joint and Several Liquidators of the Company. Mr Olde's resignation will have no impact on the conduct of the Liquidation, with Mr Ross Blakeley and Mr John Park continuing to administer the liquidation in their capacity as the remaining joint and several Liquidators.

The Liquidators are obliged to update the Declaration of Independence, Relevant Relationships and Indemnities with respect to Mr Olde's resignation and a copy is enclosed with respect to same.

7. Outstanding Matters to Finalisation

The Liquidators consider that the following matters still need to be attended to prior to finalisation:

- Prosecute the insolvent trading claim;
- Make a distribution to employee creditors and unsecured creditors (if applicable);
- Respond to all ongoing creditor queries and prepare further update reports;
- Convene and hold further meetings of creditors; and
- Attend to all ongoing statutory matters.

Should you have any queries in relation to this update, please do not hesitate to contact this office on either email james.mazzone@fticonsulting.com or telephone (03) 9604 0626.

Yours faithfully



Ross Blakeley
Liquidator

Declaration of Independence,
Relevant Relationships, and Indemnities ("DIRRI")

A.C.N. 004 817 323 Pty Ltd (In Liquidation) (formerly Laura Ashley (Australia) Pty Ltd)
ACN 004 817 323 ("the Company")

We have previously provided creditors with a DIRRI in relation to my appointment. Pursuant to Section 506A of the Corporations Act 2001, we have updated our DIRRI to reflect a change in circumstances. This DIRRI will be tabled at the next meeting of creditors (if one takes place). This, or any subsequently updated DIRRI, will also be included in future correspondence with creditors.

The relevant amendments to the DIRRI are contained below under the heading "UPDATED INFORMATION" and relate to the resignation of Mr Quentin Olde as one of the joint and several liquidators of the Company.

UPDATED INFORMATION

Mr Quentin Olde resigned as one of the joint and several Liquidators of the Company on 27 September 2019. Mr Olde's resignation will have no impact on the ongoing conduct of the Liquidation, with Mr Ross Blakeley and Mr John Park continuing to administer the liquidation in their capacity as the sole remaining joint and several Liquidators.

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

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

This declaration is made with respect to ourselves, our fellow Senior Managing Directors and FTI Consulting (Australia) Pty Ltd ("FTI Consulting" or "Firm") and associated entities.

A. Independence

Ross Blakeley, Quentin Olde and John Park of FTI Consulting have undertaken a proper assessment of the risks to their independence prior to accepting the appointment as Joint and Several Administrators of the Company in accordance with the law and applicable professional standards.

This assessment identified no real or potential risks to our independence. They are not aware of any reasons that would prevent us from accepting this appointment.

B. Declaration of Relationships

i. Circumstances of Appointment

Mr Daryl Chait, the Company's sole director, was referred to Mr David Beatty, a Senior Advisor at FTI Consulting, by a mutual business contact.

On 21 December 2015 Mr Blakeley and Mr Beatty met with Mr Chait to discuss the position of the Company. During this meeting, the following matters were discussed:

- (a) the general financial position, affairs and operations of the Company;
- (b) the position of the licensor, Laura Ashley Ltd;
- (c) the position of the Company's major financier;
- (d) assessments that were being undertaken by other advisors regarding the Company;
- (e) the options available to the Company, including formal insolvency, possible informal restructure and turnaround initiatives, and the potential of an equity injection/investor;
- (f) the possibility of a Voluntary Administration and the associated process; and
- (g) the nature and consequences of an insolvency appointment.

Mr Beatty had a number of follow-up discussions with Mr Chait following that meeting.

Mr Beatty then met with Mr Chait again on 24 December 2015. This meeting was also attended by Mr James Stewart, a partner at Ferrier Hodgson, in his capacity as an advisor to the primary security interest holder of the Company, the Commonwealth Bank of Australia Limited ("CBA"). The matters discussed at this meeting were similar to the meeting of 21 December 2015, and also included the following:

- (a) the position of the secured creditor in relation to the Company;
- (b) the potential for the introduction of an investor to the business, including the licensor;
- (c) the restructuring alternatives available; and
- (d) the implications of the possible appointment of a Voluntary Administrator on the Company and its stakeholders.

In the period up to 6 January 2016, Mr Beatty had a number of telephone follow-up discussions with Mr Chait to further discuss the issues and options discussed at the meetings.

On 6 January 2016, Mr Chait, via Mr Beatty, requested that Mr Blakeley provide a Consent to Act as Voluntary Administrator. Mr Blakeley then:

1. Contacted and spoke to representatives of the CBA to advise that he had been requested to provide a Consent to Act. The CBA's general position and the potential appointment of Voluntary Administrators were discussed. It is common practice to approach and engage with substantial security interest holders prior to appointment as Voluntary Administrator given their standing; and
2. Spoke to Mr Chait regarding the position of the Company and potential appointment, issues that would require immediate consideration in a Voluntary Administration, and the process generally.

On 7 January 2016, Mr Blakeley met with Mr Chait at which time Mr Chait passed a resolution to effect the appointment of Messrs Blakeley, Olde and Park of FTI Consulting as Administrators of the Company.

No remuneration has been received for any time expended by this firm in discussing the situation and options for the Company prior to 7 January 2016.

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

- (a) It is normal and practically required to be approached and have discussions with a director and major stakeholders immediately preceding an appointment;
- (b) the Courts and the ARITA's Code of Professional Practice specifically recognise the need for practitioners to provide advice on the insolvency process and the options available and do not consider that such advice results in a conflict or is an impediment to accepting the appointment;
- (c) the nature of the advice provided to the Company is such that it would not be subject to review and challenge during the course of our appointment;
- (d) no specific personal advice has been given to the Director in his capacity as Director of the Company or in relation to his personal position;
- (e) the pre-appointment advice will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the appointment as Joint and Several Administrators of the Company in an objective and impartial manner.

Neither we nor any other Senior Managing Director of FTI Consulting or associate of FTI Consulting have provided any other information or advice to the Company or the Director prior to our appointment beyond that outlined in this DIRRI.

There are no conditions on the conduct or outcome of this administration arising from the referral of this matter to FTI Consulting, including no fees or commissions, agreements for

work in the administration, or other benefits.

ii. Relevant Relationships (excluding Professional Services to the Insolvent)

Neither we, nor any other Senior Managing Director of FTI Consulting or staff of FTI Consulting have had within the preceding 24 months before the appointment, any relationship with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company, or any person or entity that has security over the whole, or substantially the whole of the Company's property, except as detailed below:

Name	Nature of relationship	Reasons why not an Impediment or Conflict
Commonwealth Bank of Australia ("CBA"), holder of a registered security interest over the Company's assets.	FTI Consulting provides consultancy and business advisory services to CBA from time to time which includes acting in receivership and investigating accountant roles, with respect to other non related entities.	The other work that FTI Consulting undertakes for CBA will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with our appointment as Voluntary Administrators of the Company in an objective and impartial manner.

iii. Prior Professional Services to the Insolvent

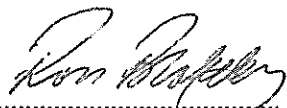
Neither we, nor any other Senior Managing Director of FTI Consulting or associate of FTI Consulting have provided any professional services to the Company in the previous 24 months prior to the appointment.

iv. No Other Relevant Relationships to Disclose

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

C. Indemnities and Up-Front Payments

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute and we have not received any up-front payments in respect of our remuneration or disbursements.



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Ross Andrew Blakeley
22 October 2019



.....
John Richard Park
22 October 2019

NOTE:

1. If circumstances change, or new information is identified, we are required under the Corporations Act and the ARITA Code of Professional Practice to update this Declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the Insolvent's creditors.
2. Any relationships, indemnities or up-front payments disclosed in the DIRRI must not be such that the Practitioner is no longer independent. The purpose of components B and C of the DIRRI is to disclose relationships that, while they do not result in the Practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.