

Administrators' Report

Pursuant to Section 439A of
the Corporations Act 2001

23 April 2014

Administrators:
David McEvoy & Ian Carson

**BEVILLES PTY LTD
ACN 005 064 308
(ADMINISTRATORS APPOINTED)
(THE COMPANY)**

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Proof of Debt or Claim Form
- B** Remuneration Report dated 23 April 2014
- C** Declaration of Independence, Relevant Relationships and Indemnities
- D** Form 529 – Notice of Meeting of Creditors
- E** ASIC Publication – *Insolvency information for directors, employees, creditors and shareholders*
- F** Details of identified Secured Creditors
- G** ARITA Publication – *Creditor Information Sheet: Offences, Recoverable Transactions and Insolvent Trading*
- H** List of Transferring Creditors

Glossary

Abbreviations	Definitions
Act	Corporations Act 2001 (Cth)
Administrators	David McEvoy and Ian Carson of PPB Advisory as joint and several Administrators
AEST	Australian Eastern Standard Time
APAAP	All present and after-acquired property, a term associated with security interests under the PPSA
ARITA	Australian Restructuring Insolvency and Turnaround Association. ARITA was formerly the Insolvency Practitioners Association of Australia.
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
Bevilles Corp	Bevilles Corp Pty Ltd, the proposed purchaser of the Company's business and assets pursuant to the Sale Agreement
COC	Committee of Creditors
COD	Cash on Delivery, a payment method usually requiring payment for goods before they are despatched
Code	ARITA Code of Professional Practice
COI	Committee of Inspection
CBA	Commonwealth Bank of Australia Ltd, the Company's principal banker
Company	Bevilles Pty Ltd ACN 005 064 308 (Administrators Appointed)
D&O Policy	Directors and Officers Insurance Policy
Deed	Deed of Company Arrangement
DE	Department of Employment
Deirdre Capital	Deirdre Capital Pty Ltd
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities, prepared pursuant to s436DA of the Act
FEG	Fair Entitlements Guarantee, a scheme administered by the DE to provide assistance to employees owed outstanding entitlements following the insolvency/bankruptcy of an employer
FY	Financial Year (e.g. the financial year 1 July 2012 to 30 June 2013 would be expressed as FY13)
k	Thousand
m	Million
Mawsons	Mawsons Restructuring and Workouts Pty Ltd
Non-transferring creditors	All other creditors that are not Transferring Creditors
PPSA	Personal Property Securities Act 2009 (Cth)
PPSR	Personal Property Securities Register – a register set up under the PPSA for the registration of security interests
PMSI	Personal Money Security Interest
RATA	Report As To Affairs
Related Parties	Keith Beville, Deirdre Capital Pty Ltd
Report	This report, prepared pursuant to s439A of the Act about the business, property, affairs and financial circumstances of the Company
s	Section of the Act
Sale Agreement	The Asset Sale Agreement between the Company and Bevilles Corp Pty Ltd entered into on 1 April 2014 prior to the Administrators' appointment
Second Meeting	Meeting held pursuant to s439A of the Act where creditors determine the future of the Company
Tara Entities	Tara Jewels Limited Tara Hong Kong Limited Tara Jewels Export Limited

Abbreviations	Definitions
Transferring Creditors	Includes the Related Parties, the Tara Entities, Transferring Employees and those creditors as detailed in Appendix H
Transferring Employees	Employees that are offered employment by Bevilles Corp and accept that offer
YTD	Year to date, a period starting from the beginning of the current financial year and continuing up to a defined date (e.g. monthly management accounts from 1 July 2013 to 31 March 2014 would be expressed as 'YTD March 2014')

1. DISCLAIMER

In reviewing this Report creditors should note:

- This Report is based upon our preliminary investigations to date. Any additional material issues that are identified subsequent to issuing this Report may be the subject of a further written report and/or tabled at the Second Meeting.
- The contents of this Report are based on information obtained from the Company's books and records, financial systems, representations from the director, key management, and our own enquiries and investigations.
- 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 amended or additional information which may be provided to us between the date of this Report and the date of the Second Meeting.
- In considering the options available to creditors and formulating our recommendation, the Administrators have necessarily made forecasts of asset realisations and total creditor claims. These forecasts and estimates may change as asset realisations progress and claims are received from creditors. Whilst the forecasts and estimates are based on the Administrators' best assessment in the circumstances, creditors should note that the eventual outcome for creditors may differ from that estimated in this Report.
- Neither the Administrators, PPB Advisory nor any member or employee of the firm is responsible in any way whatsoever to any person in respect of any errors in this Report arising from incorrect information provided to us.
- The Administrators do not assume or accept any responsibility for any liability or loss sustained by any creditor or any other party as a result of the circulation, publication, reproduction or any use of the information presented in this Report.
- This Report is not for general circulation, publication, reproduction or any use other than to assist creditors in evaluating their position as creditors of the Company and must not be disclosed without the prior approval of the Administrators.
- Creditors should consider seeking their own independent legal advice as to their rights and the options available to them at the Second Meeting.

2. EXECUTIVE SUMMARY

2.1 APPOINTMENT BACKGROUND

David McEvoy and Ian Carson were appointed joint and several Administrators (**Administrators**) of the Company on 1 April 2014 by the sole director pursuant to s436A of the Act.

2.2 REPORT'S PURPOSE

An administrator is required to investigate a company's business, property, affairs and financial circumstances and form an opinion on the three options available to creditors in deciding a company's future.

2.3 ADMINISTRATORS' RECOMMENDATION

We have received one Deed proposal and various indicative non-binding offers via our sale process. We have assumed for the purposes of providing a recommendation that if any of the offers generated via our sale process were to proceed they would be effectuated during the course of the Company's winding-up.

Each of the Deed and the sale offers have various levels of conditionality attached, which mean that the range of outcomes for creditors cannot be assessed with certainty. While we are obliged to make a recommendation to creditors now on the information presently available, our aim is to remove as many of these conditions as possible between now and the Second Meeting, so that creditors can make a more informed decision at that time. We will provide an update to creditors shortly before or at the Second Meeting.

Based on presently available information, our assessment is that the offers received from the sale of business process have the potential to generate a higher return for creditors than the Deed proposal. Accordingly, on the assumption that these offers can be converted to final, binding bids we recommend that it is in the creditors' best interests that the Deed proposal be rejected and that we complete a sale to the highest bidder, following which the Company will be wound up (absent an alternative Deed proposal).

In making this recommendation, we note that the conditionality attached to the Deed proposal is likely to be resolved by the time of the Second Meeting, whereas the position with indicative bids from external parties may or may not still be subject to uncertainty. In such circumstance, creditors may prefer the option that offers the least execution risk, rather than the highest dividend potential but greater uncertainty in respect of completion and timing. Again, these are issues which we will update creditors on as soon as practicable.

2.4 SECOND MEETING OF CREDITORS (SECOND MEETING)

The Second Meeting will be held on:

Date: 2 May 2014
Registration: 9.30 am AEST
Meeting time: 10.00 am AEST
Location: CQ Building
113 Queen Street
Melbourne, Victoria

To register attendance and be entitled to vote at the Second Meeting, creditors must complete and submit the following forms attached at **Appendix A**:

- Form 532 – Appointment of Proxy
- Proof of Debt or Claim Form.

Forms must be submitted by no later than 5.00 pm AEST on 1 May 2014 to this office or by email to bevilles@ppbadvisory.com.

2.5 DEED OF COMPANY ARRANGEMENT (DEED)

We received one Deed proposal for the Company from Bevilles Corp which is based on the Sale Agreement discussed at Section 4.3 being completed. Bevilles Corp is 100% owned by Michelle Stanton.

The key terms of the Sale Agreement/Deed are that in consideration for the acquisition of the business and certain assets, Bevilles Corp agrees to be liable for existing liabilities of the Transferring Creditors.

The Sale Agreement is conditional upon the Deed being approved by creditors. The Sale Agreement will not complete if the Deed is rejected.

For Non-Transferring Creditors (ie creditors whose liabilities are not being assumed by Bevilles Corp), a Deed Fund will be established for distribution. The Deed fund will predominantly be created from surplus trading proceeds generated from the date of our appointment up until the Second Meeting.

2.6 ESTIMATED RETURN TO CREDITORS

We estimate the return to creditors under 'high' and 'low' case liquidation and Deed scenarios will be:

Creditor Type	Liquidation 'Low' Case Cents in the dollar	Liquidation 'High' Case Cents in the dollar	Deed Cents in the dollar
Secured creditors	100 cents	100 cents	100 cents
Employees	100 cents	100 cents	100 cents
Unsecured creditors:			
Transferring	26 cents	77 cents	100 cents
Non-transferring	26 cents	77 cents	46 cents

2.7 OFFENCES AND LIQUIDATION RECOVERIES

- Our preliminary view is that the Company may have traded whilst insolvent in the period leading up to our appointment, but significant further investigation would be required by a Liquidator in order to reach a conclusion on this issue (refer **Section 7.6**). Creditors should note that insolvent trading claims are difficult and costly to pursue, and even if successful may not generate an additional return for creditors
- Based on work undertaken to date, we have not conclusively identified any voidable transaction recoveries that may be available to creditors if the Company is placed into liquidation (refer **Section 8**).
- Whilst our preliminary investigations have not identified any offences or other breaches committed by the director or others, we consider further investigations would be warranted in the event a liquidator was appointed. A liquidator would be in a position to conduct detailed investigations into the circumstances leading up to the appointment of the Administrators and the Deed proposal submitted by the director.

In particular, a liquidator would be able to investigate whether the director breached his duties and preferred certain related party creditors and entities or critical suppliers, over the interests of the general body of creditors and investigate other Company dealings more closely.

2.8 ADMINISTRATORS' OVERVIEW

2.8.1 Conduct of Administration

Since our appointment we have:

- continued to trade the Company to maximise the realisable value of inventory on hand, preserve the going concern value of the business and provide continuity of employment
- allowed time for the director and existing management to finalise the terms of the Deed proposal for consideration by creditors
- undertaken a sale of business program to determine the level of interest in, and realisable value of, the Company's business and assets.

2.8.2 Company Financial Background

- The Company has incurred trading losses in excess of \$10 million over the past three years due to reduced revenue and high fixed expenses, predominately employee costs and store rents
- Trading losses have been largely funded by reducing stock holdings, increasing trade creditors and loans from related parties
- During FY13, the Company began to sell down its relatively low margin giftware inventory and focus on rejuvenating the jewellery business. This strategy required operational restructuring in the form of reduced floor space and lower employee head count. To date the Company has been unable to materially achieve the required level of restructuring
- Bank debt has been significantly reduced since FY12
- The Company has funded the repayment of bank debt and trading losses principally through increasing trade creditors (\$3.7m), reducing inventory and funding from related parties (\$3.7m)
- Inventory reductions of c\$3.3m in recent years are also consistent with the change in business direction by selling down giftware.

2.8.3 Reasons For Company Difficulties

We believe the following factors contributed to the Company's current difficulties:

- A general downturn in consumer retail spending and a change in retail spending patterns
- Inability to downsize/reconfigure stores to match the changed business strategy
- High fixed rental costs on store leases
- High head office cost structure
- Ineffective changes to merchandising/product range to bolster sales.

2.9 REMUNERATION

We are seeking approval for our remuneration at the Second Meeting as summarised below:

	\$
Voluntary Administration	
Resolution 1: 1 April 2014 to 21 April 2014	366,509.50
Resolution 2: 22 April 2014 to 1 May 2014	110,000.00
Deed of Company Arrangement	
Resolution 3: 2 May 2014 to completion of the Deed of Company Arrangement	100,000.00
Liquidation (if applicable)	
Resolution 4: 2 May 2014 to completion of the Liquidation	250,000.00

Prospective Liquidators' remuneration (if applicable) will not be sought if creditors elect to form a Committee of Inspection (**COI**).

Please refer to our Remuneration Report at **Appendix B** for full details of the activities undertaken by us, our partners and staff and the remuneration approval sought.

3. INTRODUCTION

3.1 APPOINTMENT INFORMATION

David McEvoy and Ian Carson were appointed as Administrators of the Company on 1 April 2014 by the director pursuant to s436A of the Act.

3.2 DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS AND INDEMNITIES (DIRRI)

Our DIRRI is provided at **Appendix C**. The DIRRI discloses information regarding any prior personal or professional relationships the Administrators and PPB Advisory had with the Company or related parties, our independence and any indemnities received relating to this appointment.

3.3 REPORT'S PURPOSE

An administrator is required to investigate a company's business, property, affairs and financial circumstances and form an opinion on the three options available to creditors in deciding the future of the company. The options are:

1. The company be wound up (liquidation)
2. The company execute a Deed
3. The administration should end (and control reverts to the company director).

An administrator reports to creditors about:

- investigations conducted
- the administrator's opinion on the options available.

3.4 PURPOSE OF SECOND MEETING

The Second Meeting will address:

- the contents of this Report
- options available to creditors under the Act
- creditors to decide on the Company's future
- approval of:
 - Administrators' remuneration
 - future remuneration of the Liquidators or Deed Administrators (as applicable)
 - should creditors desire, the formation of a Committee of Inspection (**COI**)
- appointment of Deed Administrators or Liquidators (as applicable). Upon resolution of the creditors the current Administrators automatically become the Deed Administrators or Liquidators unless creditors resolve to replace them
- whether creditors want to adjourn the Second Meeting to enable further investigations to be conducted and/or to consider their position. If adjourned, the meeting must reconvene within 45 business days.

The primary purpose of the Second Meeting is for creditors to decide the Company's future by choosing one of three options, namely that the:

1. Company be wound up (liquidation)
2. Company execute a Deed
3. administration should end (and control revert to the Company's director).

The options available to creditors and the Administrators' opinion on each option are detailed in **Section 11**.

3.5 SECOND MEETING CONVENING PERIOD

The Act stipulates the timing of the Second Meeting. Generally, the Second Meeting must be convened between 15-25 business days (or 20-30 business days at Christmas and Easter) from the date the administration begins. The Court may extend the convening period if circumstances require.

3.6 SECOND MEETING DETAILS

The Second Meeting will be held on 2 May 2014 at 10.00 am AEST. Formal notification Form 529 – Notice of Meeting of Creditors is attached at **Appendix D**.

3.7 MEETING REGISTRATION

To register attendance and be entitled to vote at the Second Meeting, creditors must complete and submit the following forms attached at **Appendix A**:

Registration Forms	Information
Form 532 – Appointment of Proxy	<ul style="list-style-type: none"> • A new proxy form is required to be completed for each creditors' meeting (i.e. previous meeting proxy forms are invalid for the Second Meeting) • If a corporate creditor wants to be represented at the Second Meeting, it must appoint an individual to act on its behalf by providing an executed proxy form • Individuals may choose to appoint a representative to vote on their behalf by executing a proxy form. If an individual is attending in person a proxy form is not required.
Proof of Debt or Claim Form	<ul style="list-style-type: none"> • This form is required to be completed to entitle a creditor to vote at the Second Meeting. Documents to support the amount claimed (e.g. unpaid invoices) must also be provided • There is no requirement to resubmit a proof of debt form if previously provided unless the amount claimed has changed.

Only creditors of the Company are entitled to vote at the Second Meeting.

Creditors are encouraged to arrive as early as possible after the registration time to enable the orderly registration of attendees so that the meeting can commence on time.

3.8 COMMITTEE OF INSPECTION (COI)

For the purpose of advising and assisting the liquidator or deed administrator (as applicable), a COI may be formed at the Second Meeting. A minimum of two members are required to form a COI.

Creditors should consider whether they are in a position to be a COI member, as membership of a COI requires attendance at meetings (telephone facilities will be made available so members do not have to attend in person).

Importantly, for a creditor to be eligible for appointment as a member of a COI, they must either:

- be in attendance at the Second Meeting
- appoint a general power of attorney to attend the Second Meeting on their behalf
- authorise a person in writing to be a member of the COI on their behalf.

3.9 FURTHER INFORMATION

To assist creditors, employees, and shareholders to understand the voluntary administration process, the Australian Securities and Investments Commission (**ASIC**) has released a package of insolvency information sheets endorsed by ARITA.

Enclosed at **Appendix E** is ASIC's publication *Insolvency information for directors, employees, creditors and shareholders*, which provides an index of all the information sheets that are available. You can download these information sheets from:

- www.asic.gov.au
- www.arita.com.au

4. COMPANY BACKGROUND INFORMATION

4.1 COMPANY OVERVIEW

The business commenced in the 1930s as a diamond, watch, jewellery and giftware store operating in Bourke Street, Melbourne.

Over the course of four decades, the business became a leading national jewellery and giftware chain.

The Company was incorporated in 1974 when Mr Keith Beville assumed control of his parents' business and transferred it into a corporate entity.

The Company employs approximately 450 people and operates from leasehold premises located in Victoria, New South Wales and South Australia.

The Company's head office and warehouse facility is located in Collins Street, Melbourne.

Information regarding the Company's financial background is discussed in **Section 6**.

4.2 STATUTORY INFORMATION

A search of ASIC's database reveals the following details of the Company and its director, other officer and shareholder.

Company Details

Date of Incorporation	25 June 1974
Registered Office & Principal Place of Business	Level 3, 251-257 Collins Street, Melbourne, Victoria

Director's Details

Appointment From/To

Keith Robert Beville	25 June 1974 (current)
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Secretary's Details

Appointment From/To

Keith Robert Beville	25 June 1974 (current)
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Shareholder Details

The Company has issued 100,002 ordinary fully paid \$1 shares to Bereich Pty Ltd.

We are not aware of any inaccuracy in ASIC's records.

4.3 ASSET SALE AGREEMENT

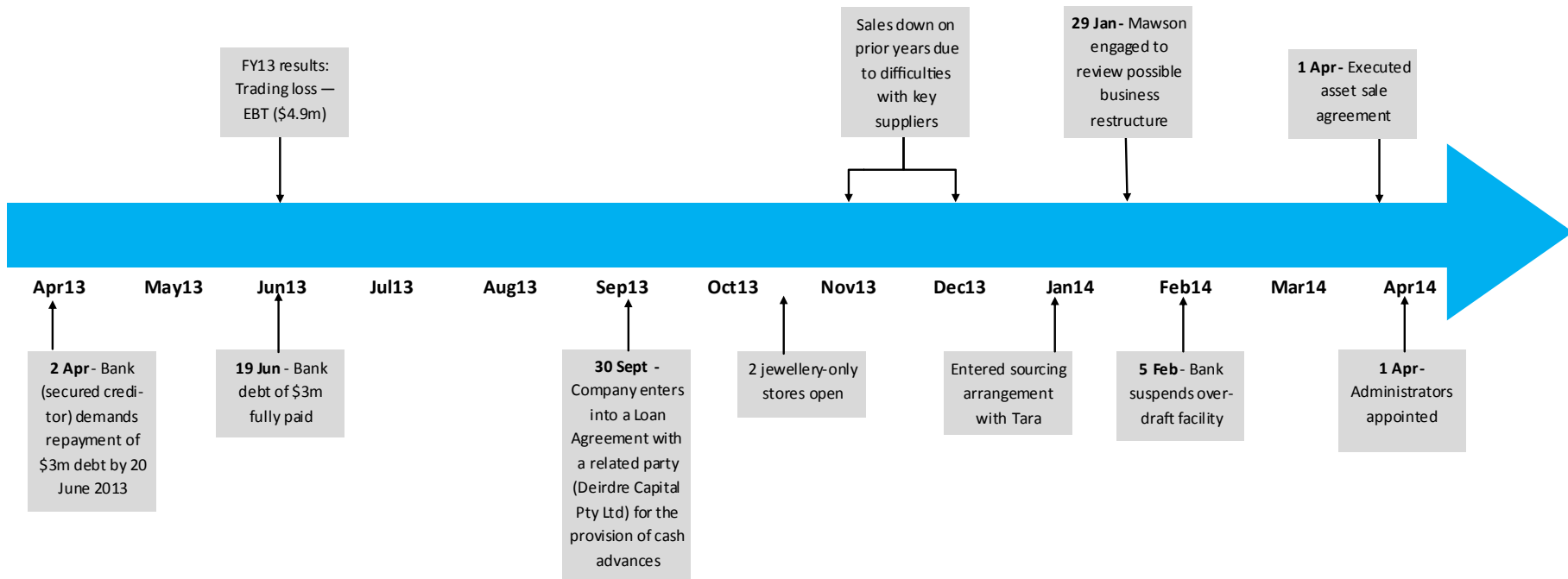
The Company entered into an Asset Sale Agreement (**Sale Agreement**) with Bevilles Corp Pty Ltd (ACN 168 124 972) on 1 April 2014, prior to our appointment as Administrators.

The key features of the Sale Agreement include:

- It is conditional on the Deed being approved by creditors
- Bevilles Corp will acquire the business and certain assets (all stock, designated plant & equipment, all intellectual property, etc) of the Company
- Bevilles Corp will occupy a number of the Company's existing sites and will seek to assign or re-negotiate some but not all of the Company's existing leases. As at the date of this report, we understand that the proposed leases that Bevilles Corp seeks to take an assignment of or re-negotiate are:
 - Highpoint
 - Parkmore
 - Werribee
 - Epping
 - Broadmeadows
 - Liverpool
 - Miranda
 - Fountain Gate
 - Penrith
 - Macarthur Square
 - Tea Tree Plaza
 - Airport West
 - Blacktown
 - Knox
- Consideration for the purchase is in the form of the assumption by Bevilles Corp of certain liabilities, including the majority of trade creditors, employee entitlements for transferring employees and secured creditor loans.
- There are number of conditions precedent to the Sale Agreement, including:
 - execution of the proposed Deed, which requires creditors' approval.
 - landlord consent to assign or re-negotiate leases for Key Property Leases
 - finance
 - supply agreement being entered into with Transferring creditors
 - key employees accept offers of employment
- We have been advised that Bevilles Corp will notify us prior to the Second Meeting as to whether these conditions have either been satisfied or otherwise waived (save for the Creditor approval of the Deed) in order to provide the creditors with some certainty of outcome at the meeting.
- The Sale Agreement requires a minimum level of stock to be transferred to the purchaser on completion, failing which the Administrators would need to make an adjustment payment to Bevilles Corp.
- We have sought to re-negotiate various commercial terms of the Sale Agreement for the benefit of unsecured creditors. We have had some success in this regard and this process is ongoing.

4.4 RECENT KEY EVENTS

Outlined below is a recent timeline of key events in the Company's history.



4.5 CREDITORS' CLAIMS

At our appointment date, the claims of the Company's creditors totalled \$14,067,622. The following table summarises estimated claims by each known class of creditor.

Creditor Class	Number of Creditors	Amount (\$) ¹	Total Amount (\$)
Secured creditors:			
Circulating and non-circulating	3	4,227,402	
Circulating only	11	790,574	
Non-circulating only	-	-	5,017,976
Employee entitlements:			
Priority creditors	463	1,447,474	
Excluded employee entitlements (unsecured creditors)	2	69,665	1,517,139
Unsecured creditors:			
Trade/External Creditors	114	7,532,507	7,532,507
TOTAL CREDITOR CLAIMS			14,062,622

¹ These claims may be subject to change.

Further details of each class of creditor are provided in **Sections 4.5.1 to 4.5.3**.

These amounts have been derived from the:

- Report as to Affairs (RATA) provided by the director (**Section 6.3**)
- Company's books and records
- formal proofs of debt or claim forms submitted by creditors.

4.5.1 Secured creditors

A 'secured creditor' is a creditor that holds a security interest over some or all of a company's assets. To be valid, the security interest must generally be registered on the Personal Property Securities Register (PPSR) or, in the case of land and buildings, at the relevant Land Titles Office. Security interests can be over:

- circulating assets (formerly known as 'floating' assets) e.g. debtors, stock and cash
- non-circulating assets (formerly known as 'fixed' assets) e.g. property, plant and equipment, land, goodwill and rights to dividends.

A search of the PPSR and the Land Titles Office revealed the following security interests registered over the Company's assets:

Type of Security Interest	No. of secured creditors	No. of security interests
Mortgage over land	-	-
APAAP*	3	4
Intangible property	1	1
Motor vehicle	-	-
Other goods	10	11
Total	14	16

* All present and after-acquired property (APAAP)

Full details of secured creditors are provided at **Appendix F**. We comment on the enforceability of the security interests claimed by the related parties at **Section 7.7.1** below, while the enforceability of the security interest of PMSI creditors is referred to at **Section 10.2**.

4.5.2 Employees

Outstanding employee entitlements have a statutory priority for payment over other creditors (except from the proceeds of non-circulating asset realisations).

The table below details all known outstanding employee entitlements based on the Company's books and records and the RATA provided by the director (**Section 6.3**). Employee entitlements have not been verified by us at this stage:

Entitlements	Amount (\$) ¹
Wages	-
Annual Leave	919,737
Long Service Leave	482,368
Time in Lieu	45,369
Total Priority Creditors excluding Redundancy	1,447,474
Excluded Employee Entitlements (see below)	69,665
Total Entitlements excluding Redundancy	1,517,139

In the event of redundancies, the following additional claims for payment in lieu of notice and severance pay may arise:

Entitlements	Amount (\$)
Payment in lieu of notice	708,860
Severance pay	1,381,652
Total Redundancy Entitlements	2,090,512
Total Entitlements	3,607,651

Excluded employees

Excluded employees are defined in the Act as directors and their spouses or relatives (s556(2)).

Excluded employees have their outstanding priority employee entitlements limited to \$2,000 for wages (including superannuation) and \$1,500 for unpaid annual leave and long service leave. The balance of their entitlements rank as an unsecured claim (s556(1A) and (1B)).

Fair Entitlements Guarantee (FEG)

Employees may be offered employment with either Bevilles Corp (if the Deed proposal is approved) or by a new purchaser should a sale to an external party be completed. All transitioning employees will have their entitlements preserved and transferred.

In the event that the Company is placed into liquidation, an employee may be eligible for payment of any shortfall in their employee entitlements (excluding superannuation) under FEG, which is administered by the Department of Education.

Former employees must meet eligibility requirements outlined in the *Fair Entitlements Guarantee Act 2012*.

FEG advances are repaid to the Government if and when funds become available in the same priority as employees' claims.

For further information can be found on FEG's website at <http://employment.gov.au/fair-entitlements-guarantee-feg>.

4.5.3 Unsecured Creditors

At the date of our appointment, the claims of the Company's unsecured creditors totalled \$7,532,507 as follows:

Creditor Type	No. of Creditors	RATA Amount (\$)
Trade/External Creditors	114	7,532,507
Totals	114	7,532,507

These figures are derived from the Company's books and records/director's RATA and proofs of debt submitted by creditors.

The Company's top 10 unsecured creditors in value are:

No.	Creditor	RATA Amount (\$)
1	Tara Jewels (SZ)	5,323,861
2	Tara (Hong Kong) Ltd	1,021,016
3	Australian Taxation Office	382,811
4	Tara Jewels (MI)	124,415
5	Ikon Communications Pty Ltd	92,863
6	Whitehill	64,885
7	Instyle Watches	61,254
8	Wah Cheong	39,701
9	Uniware	34,458
10	Combined Distribution Management	24,269
TOTAL OF TOP 10		7,169,535
TOTAL UNSECURED CREDITORS		7,532,507
% OF TOTAL UNSECURED		95.2%

4.5.4 Related Parties

The Company's related entities and the quantum of their claims at the date of our appointment are summarised below:

Related Party	Relationship	Nature of debt	RATA Amount (\$) / Proof of Debt Amount or Claim (\$)
Keith Beville	Director	Secured	1,400,000
Deirdre Capital Pty Ltd	Company owned by director and director's spouse	Secured	2,250,000
Total Related Entity Claims			3,650,000

Related entity claims have not been verified or adjudicated upon.

The related entity secured creditor claims are discussed in **Section 7.7.1**.

5 CONDUCT OF ADMINISTRATION

5.1 FIRST MEETING OF CREDITORS

The first meeting of Company creditors was held on Friday, 11 April 2014, pursuant to s436E of the Act.

Creditors did not resolve to appoint a Committee of Creditors at the meeting.

A copy of the first meeting minutes may be obtained from ASIC's website.

5.2 CONTINUED TRADING

The Company has continued to trade throughout our appointment to:

- maximise the realisable value of inventory on hand (c.\$16m at appointment)
- preserve going concern value while a sale of business program is undertaken
- provide continuity of employment to the majority of staff
- allow time for the director and management to finalise the terms of the proposed Deed for consideration by creditors.

Sales since appointment have totalled \$4.2m to 21 April and have exceeded prior periods and forecast comparatives. The strong sales have been facilitated by an aggressive marketing campaign and the result has supported the decision to continue to trade all stores for the benefit of creditors.

The Sale Agreement contained a business plan which we were obliged to comply with if we wished to avoid breaching the terms of the Sale Agreement. We determined that the business plan, which set parameters for discounting of stock etc, was consistent with our obligations and commercially sensible, so we have to date complied with those parameters.

5.3 SALE OF BUSINESS

Notwithstanding the Sale Agreement with Bevilles Corp, the Administrators have undertaken a sale of business program for the purpose of determining the level of interest in, and realisable value of, the Company's business and assets.

To that end, we:

- identified and contacted parties we identified that may be interested in acquiring the business and assets of the Company
- advertised to the wider market in *The Australian Financial Review* on 4 April 2014, seeking expressions of interest by 9 April 2014

Key features of the sale program include:

- expressions of interest were sought for the business as a going concern or for individual assets
- provision of an information overview document and establishment of an electronic data room for interested parties to access
- a competitive tender process

The current status of this campaign is as follows:

- Numerous non-binding, indicative offers were received
- These offers, broadly, envisage assuming store leases and purchasing stock on hand and associated goodwill.
- We have invited three parties to proceed to Stage 2, being an intensive Due Diligence phase
- Final binding offers are due to be submitted by 28 April 2014 in order for us to report on their status at the Second Meeting.

6. COMPANY FINANCIAL BACKGROUND

Financial reports provide important financial information to assist users of those reports in making decisions and identifying management performance and capabilities.

The Company prepares annual audited special purpose financial statements and monthly management accounts. The most recent audited financial statements are for the year ended 30 June 2013.

We have completed preliminary financial analysis on the following historical results:

- FY11 to FY13 audited financial statements
- year to date March 2014 (YTD14) unaudited management accounts.

6.1 COMPANY'S FINANCIAL PERFORMANCE / PROFIT AND LOSS

Key Comments

- The Company has incurred trading losses of c\$12.2 million in recent years due to reduced revenue and high fixed expenses, predominantly employee costs and store rents
- Trading losses have been largely funded by reducing stock holdings, increasing trade creditors and loans from related parties
- During FY13, the Company began to sell down its relatively low margin giftware inventory and focus on rejuvenating the jewellery business. This strategy requires reduced floor space and lower employee numbers, although the Company has been unable to significantly reduce such costs.

The Company's financial performance (Profit and Loss) for the three fiscal years ended FY13 and the year to date management accounts as at 31 March 2014 is summarised below.

	Notes	FY11 \$'000	FY12 \$'000	FY13 \$'000	YTD14 \$'000
Revenue	1	83,489	79,241	71,927	54,666
Cost of goods sold		(38,921)	(36,476)	(33,931)	(25,914)
Gross profit		44,568	42,765	37,996	28,752
<i>Margin (%)</i>		53%	54%	53%	53%
Wages	2	(19,166)	(20,425)	(19,453)	(14,557)
Depreciation expense		(1,268)	(1,504)	(1,391)	(945)
Finance costs		(887)	(950)	(672)	(667)
Rental costs	3	(11,668)	(11,419)	(11,204)	(8,447)
Advertising expenses	4	(2,509)	(2,837)	(3,314)	(2,481)
Other expenses	5	(8,092)	(7,508)	(6,902)	(5,228)
Earnings Before Tax		978	(1,878)	(4,940)	(3,573)
Income tax (expense) / benefit	6	(70)	(216)	(1,805)	-
Net Profit / (Loss) After Tax	7	908	(2,094)	(6,745)	(3,573)

Notes

1. We understand that sales decreased by c14% between FY11 and FY13 due to increased competition and a loss of market share, particularly in regard to diamond and giftware sales.
Despite efforts by management, the Company has been unable to regain market share since FY13 and is on track for a comparable sales result in FY14.
2. The Company increased staff numbers in FY12 (predominantly head office senior management and store support staff) in an effort to boost revenue and promotion of the business. This was ultimately unsuccessful. In FY13 certain head office positions were made redundant, however this had minimal impact on the Company's overall profitability that year given associated redundancy costs of \$169k. Even with these redundancies, the YTD results for FY14 still show a significant loss
3. Management undertook a review of individual store profitability during FY13 and began negotiations with landlords in order to reduce fixed rental costs. Some landlords granted relief by way of concessions, but ultimately the Company was unable to negotiate releases from onerous store leases.
4. In order to improve sales, the Company undertook a rebranding campaign and increased its digital and social media presence during FY13.
5. The 'Other expenses' category includes staff amenities, customer loyalty points, repairs & maintenance, legal, accounting and tax consultation fees, packaging and warehousing.
6. The Company expensed its deferred tax asset in FY13 following advice from its external accountants. It was considered that the Company would not make sufficient taxable profits to allow all or part of the deferred tax asset to be recovered in the future.
7. Trading losses of c\$12.2 million incurred in recent years have largely been funded by reducing stock holdings, increased trade creditors and loans from related parties

6.2 COMPANY'S FINANCIAL POSITION / BALANCE SHEET

Key Comments

- Bank debt has been significantly reduced since FY12
- The Company has funded recent operations principally through increasing trade creditors (\$3.7m) and funding from related parties
- Inventory reductions of c\$6.3m in recent years have part funded losses and are consistent with the change in business direction by selling down giftware.

The Company's financial position (Balance Sheet) for the three fiscal years ended 2013, together with the year to date management accounts to 31 March 2014, is summarised below:

	Notes	FY11 \$'000	FY12 \$'000	FY13 \$'000	Mar 14 \$'000
Current assets					
Cash and cash equivalents	1	2,918	475	419	1,936
Receivables		387	199	477	79
Inventories	2	25,133	21,144	17,808	17,296
Other current assets	3	1,835	1,025	745	1,712
Current tax asset		-	215	-	-
Other financial assets		-	18	-	-
Total current assets		30,273	23,076	19,449	21,023
Non-current assets					
Property, plant and equipment	4	3,282	3,734	2,432	2,588
Deferred tax assets	5	2,021	1,805	-	-
Other non-current assets		178	111	105	100
Total non-current assets		5,481	5,650	2,537	2,688
Total assets		35,754	28,726	21,986	23,711
Current liabilities					
Payables	6	7,188	6,292	7,974	11,638
Borrowings	7	6,771	3,555	1,771	3,650
Current tax liabilities		354	-	-	329
Provisions	8	1,613	1,879	1,892	1,916
Other financial liabilities		763	50	587	-
Total current liabilities		16,689	11,776	12,224	17,533
Non-current liabilities					
Payables		222	203	141	141
Borrowings	7	268	473	-	-
Provisions	8	46	36	38	34
Other financial liabilities	9	1,820	1,623	1,713	1,705
Total non-current liabilities		2,356	2,335	1,892	1,880
Total liabilities		19,045	14,111	14,116	19,413
Net assets		16,709	14,615	7,870	4,298
Equity					
Issued capital		100	100	100	100
Retained earnings / (losses)		16,609	14,515	7,770	4,198
Total equity	10	16,709	14,615	7,870	4,298

Notes

1. Approximately \$500k of cash at bank was available to the Administrators upon appointment.
By June 2013 the majority of bank debt owed to the CBA had been repaid, with only a bank guarantee facility remaining which is secured by cash at bank.
The Administrators' appointment triggered a default under CBA's security and \$600k was offset by the bank to cover the guarantee facility.
2. The Company has traditionally held an extensive range of products in each of its stores. During FY13 the Company began to sell down underperforming inventory lines (particularly giftware and diamonds) reducing stock by c\$3.8m (18%) by 31 March 2014.
3. 'Other current assets' comprises prepaid expenses such as insurance etc. which are paid in advance
4. Property, plant and equipment primarily comprises furniture, fittings and computer equipment across the stores and head office. The Eastland, Doncaster and Moorabbin stores were closed during FY13 and a write down of fixture and fittings totalling \$165k was made.
5. The Company wrote off carry forward tax losses (deferred tax asset) in FY13 as it was considered unlikely that sufficient taxable profits would be generated going forward to allow all or part of such losses to be recovered in the future.
6. Since FY13 the Company has funded its operations with the support of trade creditors and other suppliers.
In January 2013 an agreement was entered into with the Tara Entities, one of the largest jewellery exporters in India. In addition to providing product direct to the Company, the Tara Entities also assisted in sourcing and delivering product from multiple suppliers across India.
As at 31 March 2014, the majority of debt owed to trade creditors was to the Tara Entities (c\$6.6m). Agreed credit terms with Tara Entities are significantly more generous than the Company previously enjoyed, which is reflected in the increased accounts payable figure since FY13. Before the Tara Entities agreement was put in place, international suppliers traditionally required a deposit on order and the balance cash on delivery.
Included in the "payables" figure are lay-bys, gift vouchers and other deposits held totalling \$2.5m.
7. The Company's primary financier was the CBA until June 2013 when the bank was largely repaid. Since that time, the Company has sourced additional funding from Related Parties as discussed at section 4.5.4.
8. Provisions include annual and long service leave.
9. Other financial liabilities include contingent rent payable and provision for make good on properties.
10. The decrease in equity reflects the significant losses incurred in recent years.

6.3 DIRECTOR'S REPORT AS TO AFFAIRS (RATA)

A company director must provide an administrator with a RATA outlining the company's business, property, affairs and financial circumstances at the appointment date (s438B). The RATA should include:

- net asset book values (based on historical financial records)
- estimated asset realisable values
- known liabilities.

The director has provided us with a RATA in accordance with his responsibilities under the Act.

Detailed below is the information provided in the director's RATA compared to our estimates (full details at **Section 10**) and our preliminary comments.

	Notes	Director's RATA		Administrators' Estimate	
		Book Value \$'000	Estimated Value \$'000	Low \$'000	High \$'000
Assets subject to specific security interests	1	-	-	1,162	1,162
Relevant secured creditor claims		-	-	(791)	(791)
Surplus/(Deficit) on specific security interests		-	-	371	371
Other Assets:					
Interest in land		-	-		
Sundry debtors	2	473	93	63	63
Cash on hand		29	29	0	0
Cash at bank	3	1,685	1,685	1,075	1,542
Stock		17,351	15,000	9,968	11,441
Plant and equipment		2,670	-	264	132
Surplus on specific security interests				371	371
Sub Total		22,208	16,807	11,741	13,549
<i>Less other creditor claims:</i>					
Employee Entitlements	4	(3,400)	(3,400)	(3,535)	(1,444)
General security interest holders		(4,227)	(4,227)	(3,810)	(3,810)
Unsecured creditors		(9,464)	(9,464)	(9,230)	(9,600)
Surplus / (Deficiency) to creditors		5,117	(284)	(4,834)	(1,305)
<i>Plus Contingent assets</i>					
Less Contingent liabilities	5	(3,500)	(3,500)	(3,170)	(499)
Surplus / (Deficiency) to creditors after contingencies		1,617	(3,784)	(8,004)	(1,804)

Notes

1. Stock on hand subject to PMSI claims
2. Includes a loan debtor to a related entity, Romeo Art Pty Ltd (**Romeo**) of \$371k and other amounts for consumer finance debtors, staff debtors and trade debtors. We have issued a letter of demand on Romeo Art, which has not been responded to at this point.
3. Director's RATA amount of \$1,685k includes the amount (\$550k) held in escrow for Mawsons for restructuring advice and an amount of \$600k offset by the Company's Bank which held security against the bank guarantee facility. Our 'High' case liquidation scenario assumes that the escrow monies are returned to the Company, along with a portion of the bank guarantee funds via the transition of bank guarantees to an incoming purchaser.
4. Estimated amount taking into account redundancy costs as well as all other entitlements.

5. Estimated landlord claims for breach of lease and includes future rent payable and make good (subject to a landlord's requirement to mitigate loss). Our 'High' case liquidation estimate assumes that the majority of leases are assigned to an incoming purchaser

RATA figures may differ from actual realisable values as:

- net book values are based on historical financial records
- asset values are not market tested
- creditor claims are not yet adjudicated upon and quantified.

7. INVESTIGATIONS

Key Comments

Whilst our investigations are ongoing, we summarise our initial findings below:

- The Company's failure would appear to be the result of:
 - A general downturn in consumer retail spending
 - An inability to downsize/reconfigure stores to match changed business strategy
 - High fixed rental costs on store leases
 - High head office cost structure
 - Ineffective changes to merchandising/product range to bolster sales
- Our preliminary view is that the Company may have traded whilst insolvent in the period leading up to our appointment, but significant further investigation would be required by a Liquidator in order to reach a conclusion on this issue. For example, we are not aware whether the related party secured creditors would have provided additional funding if necessary.
- Creditors should note that insolvent trading claims are difficult and costly to pursue, and even if successful they may not generate an additional return for creditors

We have conducted investigations into the reasons for the Company's failure to the extent possible in the available time. Further investigations will be conducted should creditors vote to wind up the Company (i.e. place it into liquidation) at the Second Meeting. A liquidator has greater powers to undertake investigations and pursue recoveries than an administrator or deed administrator.

Our investigations to date have been limited by the relatively short timeframe within which we are required to report to creditors, the size of the trading operations and volume of books and records to review.

We have based our investigations and opinions on information obtained from:

- books and records, including management reports
- accounting and database information systems used within the business
- discussions with the director, management and key staff members
- external professional reports, including audit reports
- publicly available information e.g. ASIC.

7.1 DIRECTOR'S EXPLANATION FOR THE COMPANY'S DIFFICULTIES

The director attributes the Company's current financial position to:

- The global financial crisis and corresponding downturn in retail spending
- An inability to successfully negotiate changes to onerous lease obligations with landlords

7.2 ADMINISTRATORS' OPINION OF THE REASONS FOR THE COMPANY'S DIFFICULTIES

We believe the following factors contributed to the Company's current difficulties:

- A general downturn in consumer retail spending and a change in retail spending patterns
- Inability to downsize/reconfigure stores to match the changed business strategy
- High fixed rental costs on store leases
- High head office cost structure
- Ineffective changes to merchandising/product range to bolster sales

7.3 LEGAL PROCEEDINGS / CLASS ACTIONS

We are unaware of any legal proceedings against the Company.

The Company is a participant in a class action seeking damages and other relief against major international airlines for alleged cartel conduct in respect of the provision of air freight services. It would appear unlikely that the Company will see a material return from the class action.

7.4 OUTSTANDING OR PREVIOUS WINDING UP APPLICATIONS

We are not aware of any outstanding or previous winding up applications against the Company.

7.5 BOOKS AND RECORDS

Our view is that the Company has maintained adequate books and records.

A company must keep written financial records that:

- correctly record and explain its transactions, financial position and performance
- would enable true and fair financial statements to be prepared and audited
- must be kept for seven (7) years after the transactions covered by the records are completed (s286).

Directors are primarily responsible for ensuring adequate financial records are maintained. Directors who fail to take all reasonable steps to ensure compliance may be subject to a civil penalty order.

Failure to maintain books and records may give rise to a presumption of insolvency (pursuant to s588E of the Act) (discussed below at **Section 7.6**).

A liquidator (if appointed) will continue investigations into whether any breaches of the Act have occurred in relation to the maintenance of proper books and records, including:

- failure to keep proper financial records (s286)
- failure to take all reasonable steps to comply with financial records reporting requirements (s344)
- requiring officers to exercise a reasonable degree of care and diligence in the exercise of their powers and discharge of their duties (s180).

7.6 INSOLVENCY

Our preliminary view is that the Company may have traded whilst insolvent in the period leading up to our appointment, but significant further investigation would be required by a Liquidator in order to reach a conclusion on this issue. For example, we are not aware whether the related party secured creditors would have provided additional funding if necessary.

Creditors should note that insolvent trading claims are difficult and costly to pursue, and even if successful they may not generate an additional return for creditors.

A company is insolvent if it is unable to pay its debts as and when they become due and payable.

Liquidators are required to demonstrate that a company is insolvent in certain recovery proceedings (**Section 8**). Methods of testing solvency include the *Cash Flow Test* and the *Balance Sheet Test*, which are examined below.

Determining whether a company is insolvent (and the date at which insolvency occurred) is often difficult and ultimately is a matter for the courts. The Courts have identified fourteen general indicators of insolvency which are considered further in ASIC Regulatory Guide 217 (refer below). A liquidator would seek to investigate these indicators in assessing insolvent trading.

7.6.1 Cash Flow Test

The Cash Flow Test is about whether a company can pay its debts from available resources as and when they fall due.

The available books and records indicate that the Company was generally able to pay its debts as and when they fell due or had otherwise negotiated extended repayment terms with key suppliers. That said, there is evidence of stress in the Company's treatment of creditors and in this regard we note that the Company had the following arrangements in place:

- A supportive arrangement with the principal supplier (Tara Entities) who was aware that the Company was attempting to restructure its operations and provided flexibility in the payment of debts beyond the agreed 120 day trading terms. Approximately \$3.2m owed to Tara Entities had been outstanding for greater than 120 days at the date of our appointment
- Debts to domestic suppliers totalling \$462k which were due for payment in January and February 2014 had been renegotiated for payment at the end of March and April 2014
- Rents due for a number of landlords on the 1st day of the month were spread out over the month to help 'smooth' cash flow

Grace periods provided by creditors can be taken into account in establishing solvency, but at some point the ability of the Company to meet those liabilities becomes critical.

Working capital and net current assets

Working capital is the money required to enable a business to pay its debts as they fall due.

Our preliminary analysis of the Company's records relating to working capital and net current assets does not disclose immediate liquidity issues as the Company reported positive (albeit diminishing), working capital positions from FY11 as follows:

	FY11 \$000's	FY12 \$000's	FY13 \$000's	March 14 \$000's
Current Assets	30,273	23,076	19,449	21,023
Current Liabilities	<u>16,689</u>	<u>11,776</u>	<u>12,224</u>	<u>17,533</u>
Working Capital	<u>13,584</u>	<u>11,300</u>	<u>7,225</u>	<u>3,490</u>
(Current Assets – Current Liabilities)				
Working Capital / Liquidity Ratio (Current Assets/Current Liabilities)	1.81	1.96	1.59	1.20

It is relevant to note, however, that the working capital position materially declined from FY12. Erosion of the working capital position is consistent with the trading losses incurred by the Company over this period.

Short-term cash flow forecast

The Company's FY14 forecast predicted cash deficiencies between September and November 2013 (peaking at \$1.5m) and in April 2014 (\$709k).

We note that funding injections by Mr Keith Beville in May and June 2013 (totalling \$1.4m) and by Deirdre Capital in January 2014 (\$2.25m) were provided to repay debt and meet the Company's increased working capital requirements.

7.6.2 Balance Sheet test

The Balance Sheet Test assesses the solvency of a company with reference to the company's net asset position (i.e. the level of total assets in excess of total liabilities).

Our review of the financial records has found that the Company's reported net asset position was positive (albeit diminishing) throughout the period under review.

	FY11 \$000's	FY12 \$000's	FY13 \$000's	March 14 \$000's
Total Assets	35,754	28,726	21,986	23,711
Total Liabilities	<u>19,045</u>	<u>14,111</u>	<u>14,116</u>	<u>19,413</u>
Net Assets	<u>16,709</u>	<u>14,615</u>	<u>7,870</u>	<u>4,298</u>
(Total Assets – Total Liabilities)				

A liquidator will investigate the balance sheet position further should the creditors vote to wind up the Company at the Second Meeting.

7.6.3 Other Indicators of Insolvency

The Company's financial reports for the years ended 30 June 2012 and 2013 were audited by Deloitte.

Deloitte issued unqualified audit opinions, however their report included "emphasis of matter statements" in each year, casting doubt over the Company's ability to continue as a going concern as a result of the losses incurred in FY12 (\$2.1m) and FY13 (\$6.7m).

Determining whether a company is insolvent (and the date at which insolvency occurred) is often difficult and ultimately is a matter for the courts. The Courts have identified fourteen general indicators of insolvency which are considered further in ASIC Regulatory Guide 217

Our investigations to date have identified that five of these indicators apply, or may apply, to the Company.

Indicator	Present	Comment										
Continuing Trading Losses	Yes	The Company incurred trading losses of \$2.1m in FY12 and \$6.7m in FY13. The risk these losses posed to the Company's ability to continue as a going concern was identified by the Company's auditor, as outlined above.										
Liquidity Ratio Below One	No	Liquidity ratios have remained above 1 for the period under review.										
Overdue Commonwealth and State Taxes	Yes	<p>The Company's ATO portal indicates an outstanding debt of \$383k relating to the Company's February 2014 Business Activity Statement. Payment of this amount was due on 21 March 2014.</p> <p>We understand there are a further 3 PAYG instalments which have not yet been lodged:</p> <table border="1"> <thead> <tr> <th>Due Date</th> <th>Amount \$</th> </tr> </thead> <tbody> <tr> <td>12 March 2014</td> <td>98,457</td> </tr> <tr> <td>26 March 2014</td> <td>105,803</td> </tr> <tr> <td>9 April 2014</td> <td>99,733</td> </tr> <tr> <td>Total</td> <td>\$303,993</td> </tr> </tbody> </table> <p>Whilst the debt owing to the ATO is significant, we note that it relates to a relatively short period leading up to our appointment.</p> <p>We understand that the State Revenue Office will be a creditor for Payroll Tax for March 2014, however this amount has not yet been quantified.</p>	Due Date	Amount \$	12 March 2014	98,457	26 March 2014	105,803	9 April 2014	99,733	Total	\$303,993
Due Date	Amount \$											
12 March 2014	98,457											
26 March 2014	105,803											
9 April 2014	99,733											
Total	\$303,993											
Poor relationship with present bank including inability to borrow additional funds	Yes	<p>Due to a deteriorating relationship with its bank, the Company's borrowings from the CBA were substantially repaid in the second half of FY13.</p> <p>Alternative finance was provided by Mr Keith Beville, Deirdre Capital and working capital through amended purchasing arrangements with Tara Entities. We understand the Company had a satisfactory and supportive relationship with these parties.</p>										
No access to alternative finance	Not Applicable	We understand the Company did not pursue alternative finance to that provided by Keith Beville, Deirdre Capital or Tara Entities. We do not know to what extent further funding was available from these sources.										
Inability to raise further equity capital	Not Applicable	Cash injections by related parties were made as debt rather than equity. We do not believe the Company sought equity capital.										

Indicator	Present	Comment
Supplier placing the debtor on COD terms, otherwise demanding special payments before resuming supply	No	A number of the Company's international suppliers ordinarily operated on deposit and balance COD terms. We have not identified any instances where suppliers have placed the Company on COD terms as a result of a changing business relationship, or demanded special payments before resuming supply.
Creditors outside trading terms	Yes	Our review of the creditors ageing indicates \$4.3m in trade creditors were overdue for payment. This includes \$3.2m owing to Tara Entities and \$462k to domestic suppliers whose terms were renegotiated.
Issuing of post-dated cheques	No	None identified
Dishonoured cheques	No	None identified
Special arrangements with selected creditors	Yes	The Company made arrangements to defer rent and supplier payments (Section 7.6.1).
Legal action threatened or commenced, or judgements entered against the company	No	None identified
Payments to creditors of rounded figures, which are irreconcilable to specific invoices	No	The only round sum payments we have identified are to the Company's restructuring advisor (Mawsons) and the Company and director's solicitors. We understand these payments were made in advance of services being provided.
Inability to produce timely and accurate financial information to display the Company's trading performance and financial position, and make reliable forecasts	No	Our investigations indicate the Company is able to produce timely and accurate financial information. We also believe the Company had adequate forecasting capabilities.

If a Liquidator is appointed, further investigation into these matters will occur, but creditors should be aware that this will not necessarily result in an increased recovery for creditors – see **Section 7.6.4 and 8.8**.

7.6.4 Proving Insolvency

Further investigations into the Company's insolvency will be conducted by a liquidator should the Company be wound up.

Determining when a company became insolvent is a costly and complex exercise involving a detailed review of the company's financial position, cash flow, and other relevant information.

7.7 OTHER INVESTIGATIONS

7.7.1 Validity of securities

Our preliminary review indicates that the securities taken by Mr Keith Beville and Deirdre Capital in respect of their loan accounts are valid. We note that these securities were only granted over assets "beneficially owned" by the Company. This would not include inventory subject to PMSI claims. However, our preliminary investigations indicate that there should be sufficient other assets available to secure the repayment of secured creditors in full.

Where a company is being wound up in insolvency, a circulating security interest created within six months of the commencement of the liquidation may be void unless that security interest secures a new advance of funds (s588FJ(2)).

We note that the timing of the appointment of Administrators occurred immediately after the six month statutory period for the Deirdre Capital security had expired. This is discussed further in **Section 8.1** and would warrant further investigation in the event that a liquidator is appointed to the Company.

7.7.2 Mawsons

Mawsons advised the Company in the lead up to our appointment and assisted in the preparation of the proposed Deed.

We understand that the Company's relationship with Mawsons commenced in May 2012. The Company re-engaged with Mawsons in late January 2014, culminating in the Deed proposal discussed in **Section 9**.

Between February 2014 and the date of our appointment, the Company made six round-sum payments to Mawsons totalling \$727k:

- Five payments totalling \$177k (paid in advance) for services in the potential restructure of the business.
- \$550k is currently held in an escrow account for agreed fees payable to Mawsons in relation to the Sale Agreement entered into with Bevilles Corp on 1 April 2014 (**Section 4.3**). These funds will be released to Mawsons, either in whole or in part, on successful completion of the Sale Agreement. If the Sale Agreement has not completed by 30 September 2014, the funds held in escrow will be returned to the Company.
- Additionally, should the Company be placed into liquidation, this amount will also be returned to the Company for the benefit of creditors.

7.7.3 Shadow / De-Factor Directors

Section 9 of the Corporations Act 2001 provides a wide definition of "director" and includes:

- persons registered as directors on the ASIC register;
- persons who, although not validly appointed as directors of the company, act in a position of a director (often referred to as a "de facto director"); or
- persons in accordance with whose instructions or wishes the directors of the company are accustomed to act (often referred to as a "shadow director").

A person held to be a Director by virtue of (2) or (3) above may held liable for breaches of director duties. Whether any Officers of the Company could be said to fall within either of these categories is a matter that would require further investigation by a liquidator.

It is possible that the Company's CEO may fit within this definition.

8. OFFENCES AND LIQUIDATION RECOVERIES

Key Comments

While our investigations are ongoing, we summarise our initial findings below:

- Based on work undertaken to date, we have not conclusively identified any voidable transaction recoveries that may be available to creditors if the Company is placed into liquidation. In any event, we note that it may be difficult and costly to prove any transactions that would be voidable in a liquidation scenario
- We have not identified any other contraventions by the director or others, but consider that further investigations are warranted in the event of liquidation

A liquidator has the ability to pursue certain claims that may result in recoveries for creditors. Importantly, these claims are not available to a Deed Administrator should creditors vote to execute the proposed Deed.

To compare a Deed to liquidation, administrators identify claims that a liquidator would pursue, including:

- voidable transactions
- recoveries against past or present directors, secretaries, other officers and Company advisors.

Enclosed at **Appendix G** is a *Creditor Information Sheet: Offences, Recoverable Transactions and Insolvent Trading* published by ARITA, which provides general information for creditors on the types of claims a liquidator can pursue.

8.1 VOIDABLE TRANSACTIONS

The Act requires an administrator to specify whether there are any transactions that appear to the administrator to be voidable transactions in respect of which money, property or other benefits may be recoverable by a liquidator under Part 5.7B of the Act.

8.1.1 Voidable preferences

Generally, a transaction is voidable if at the time it was incurred:

- the company was insolvent or became insolvent
- the third party received a benefit more than it would receive if the transaction did not occur
- the third party had reasonable grounds for suspecting that the company was insolvent at the time or would become insolvent as a result of the transaction.

8.1.2 Uncommercial transactions

A transaction is an uncommercial transaction if a reasonable person in the Company's circumstances would not have entered into it having regard to a number of factors including the benefits and detriment to the Company of entering into the transaction.

8.1.3 Unfair loan / unreasonable director related transactions

In certain circumstances a loan to a Company can be voidable if the interest/ charges relating to the loan were extortionate. A transaction can also be an unreasonable director related transaction if it occurs with a director or close associate of a director or their representatives, if a reasonable person in the Company's circumstances would not have entered into it having regard to a number of factors including the benefits and detriment to the Company of entering into the transaction.

The only potential matter we have identified that may warrant further investigation is whether \$1.12m of funds advanced to the Company by Keith Beville was used to repay a loan to another related entity, Bereich Pty Ltd in circumstances that could give rise to a claim by a Liquidator.

Creditors should note that it may be difficult and/or costly to pursue and ultimately prove any transactions that would be voidable in a liquidation scenario

8.2 INSOLVENT TRADING

Insolvent trading occurs when a company incurs a debt at a time when:

- the company was insolvent or became insolvent by incurring the debt
- there were reasonable grounds to suspect the Company was insolvent or would become so as a result of incurring the debt.

Company directors have a duty to prevent insolvent trading by not incurring debt when there are reasonable grounds for suspecting that the company is or will be unable to pay its debts as and when they fall due.

The objective test or standard of measure in deciding whether insolvent trading has occurred is whether a director can demonstrate that their actions are at the same degree and level that would be required of an ordinary reasonable person holding a similar position and responsibility in the same circumstances.

A director who fails to prevent a company from incurring a debt at a time when there are reasonable grounds for suspecting that the company is insolvent, or will become insolvent by incurring that debt, contravenes s588G of the Act.

Creditors should note that only a liquidator or an individual creditor with the liquidator's permission can bring an action against a director for breach of s588G. An administrator or deed administrator cannot pursue a director for recoveries from contraventions of s588G of the Act.

A liquidator may recover the amount of loss or damages suffered by the creditors from a director (s588M).

Our investigations into whether the Company may have traded whilst insolvent are ongoing. Based on our work undertaken to date as detailed in **Section 7.6**, we believe the Company may have traded while insolvent in the period prior to our appointment, but we note that insolvent trading is difficult and costly to prove. A liquidator (if appointed) will conduct more thorough investigations in this regard.

8.2.1 Director Defences

Defences available to directors under the Act in regard to allegations of insolvent trading are:

- the director had reasonable grounds to expect, and did expect, that the company was solvent at that time and would continue to be solvent if it incurred the debt
- the director had reasonable grounds to believe that a competent and reliable person was responsible for providing adequate information about whether the company was solvent and that person was fulfilling the responsibility and it was expected, on the basis of the information provided, that the company was solvent and would continue to be solvent when the debt was incurred
- at the time the debt was incurred, the director, due to illness or other good reason, did not take part in the management of the company at that time
- the director took all reasonable steps to prevent the company from incurring the debt

Our investigations regarding whether the Company director may have breached his statutory obligations or general law fiduciary duties are continuing.

8.3 OFFENCES AND BREACHES

Directors and others have duties, obligations and responsibilities in relation to common and statute law.

If a director breaches any duties, obligations and responsibilities under the Act they may be subject to civil and criminal penalties including:

- compensation to the Company for damages resulting from the contravention
- fines (up to \$200,000)
- imprisonment (up to 5 years)
- disqualification from managing corporations.

Our preliminary investigations have not identified any offences committed by the director or others. However, should a liquidator be appointed, we consider further investigations are warranted.

A liquidator would be in a position to conduct detailed investigations into the circumstances leading up to the appointment of the Administrators and the Deed proposal submitted by the director. In particular, a liquidator would be able to investigate whether the director breached his duties and operated contrary to the interests of the Company's general body of creditors by preferring:

- his interests and that of the company he co-owns with his spouse (Deirdre Capital) as secured creditors of the Company
- the interests of his daughter (Michelle Stanton) as owner of Bevilles Corp.

The relevant duties are:

- to act in good faith in the best interests of a company and for a proper purpose. This duty includes an obligation to have regard to the interests of creditors when insolvency is possible: *The Bell Group (in liq) v Westpac Banking Corporation (No 9) [2008] WASC 239*. A company does not have a duty to treat creditors equally prior to winding up, but an intention to defeat or hinder certain creditors is improper, as is a decision to prefer certain creditors for the benefit of a director or other than in the best interests of the company. On the other hand, if the interests of a director align with the best interests of the company, it would be difficult to demonstrate that the director was motivated by an improper purpose
- not to improperly use their position or information they obtained as director to gain an advantage or to the detriment of the company
- the general law of fiduciary duty against personal profit and conflict of interest.

The director may have breached his duties if he engaged in the following patterns of conduct:

- preferring creditors who would continue business with Bevilles Corp pursuant to the Sale Agreement (see **Section 4.3**) at the expense of other creditors
- ordering the affairs of the Company to optimise the position of related party secured creditors
- facilitating the Deed for the purpose of avoiding scrutiny by a liquidator.

A director who breaches these duties may be liable for any loss that is suffered.

If a liquidator is appointed, investigation into the following matters could assist in forming an assessment of the director's behaviour:

- differences in the patterns of payment for different creditors, particularly whether payments of tax, superannuation benefits for employees, lease obligations etc. were made at the same rate as payment to creditors who would transfer to Bevilles Corp under the Deed proposal
- whether the structure and timing of the Company's affairs reveal an intention to maximise the claims of the related entity creditors (e.g. the appointment of Administrators immediately after Deirdre Capital's security interest was greater than six months old and therefore not at risk of being voidable against a liquidator)
- whether there are any other transactions which the director might seek to avoid being subject to the scrutiny of a liquidator
- whether the payment of corporate advisors on specified terms and with a success fee on escrow effectively requiring a sale to a related party for the success fee to be payable was proper (although if the creditors vote against the Deed, the success fee is not payable to the advisors and is instead available for distribution to the creditors).

In respect of all these matters it is noteworthy that the Sale Agreement was structured in such a way that the creditors effectively determine whether the agreement becomes operative or not. In these circumstances the prospect of identifying any loss or breach in respect of the Sale Agreement for which the director may be held responsible is, *prima facie*, low. However, a liquidator would investigate all of these issues in more detail.

8.4 DIRECTORS' AND OFFICERS' INSURANCE POLICY (D&O POLICY)

A D&O Policy offers liability cover for company officers to protect them from claims which may arise from the decisions and actions taken within the scope of their regular duties. Such policies cover the personal liability of company directors and officers as individuals.

At the date of our appointment, the Company held a D&O Policy. To avoid prejudicing any potential claims, we are not disclosing the terms of the D&O Policy.

The D&O Policy will be subject to further investigation should the creditors elect to place the Company into liquidation at the Second Meeting, in particular the conditions, limits and period of cover. We have not put the insurer on notice of any potentially claimable events at this stage.

8.5 DIRECTOR'S PERSONAL FINANCIAL POSITION

When a liquidator assesses the commercial merit of pursuing a claim, a key consideration is the capacity of the party defending the claim to satisfy the claim.

Should creditors resolve to place the Company into liquidation at the Second Meeting, a liquidator would continue investigations into the director's personal financial position and that of any shadow/de-facto directors.

8.6 PUBLIC EXAMINATIONS

The provisions of Div. 1 of Part 5.9 of the Act provide that an 'eligible applicant', such as a liquidator, may examine officers of a company about its 'examinable affairs' and any other person who may be able to provide information relating to such affairs. 'Examinable affairs' is a comprehensive term with wide ranging application and includes:

- the promotion, formation, management, administration or winding up of the company
- other affairs of the company
- the business affairs of a connected company of the company insofar as they appear to be relevant to the company or its affairs.

If the Court is satisfied that a summons for examination should be issued, the examinee is usually required to produce at the examination any specified books that are in the person's possession and relate to the corporation.

We do not believe there would be any material benefit to creditors in examining the director or other possible persons of interest at this stage. A liquidator may look to conduct public examinations should their investigations indicate it is appropriate, particularly in regard to the matters outlined in **Section 8.3**.

8.7 REPORTING OF OFFENCES TO ASIC

Administrators are required to complete and lodge a report with ASIC pursuant to s438D of the Act where it appears that:

- a past or present officer of a company may have committed an offence
- money or property has been misapplied or retained
- a party is guilty of negligence, default, breach of duty or breach of trust in relation to a company.

A liquidator is required to lodge a report of findings with ASIC, pursuant to s533 of the Act.

Creditors should be aware that any report lodged pursuant to s438D (or an investigative report lodged by a liquidator pursuant to s533 of the Act) is not available to the public.

We have not identified any offences at this stage which would require us to report to ASIC.

8.8 RISK OF RECOVERY ACTIONS

Whilst no recovery actions have been identified to date, creditors should note that if any such actions are subsequently identified they:

- are usually expensive, lengthy and have unpredictable outcomes
- should not be commenced unless defendants have the financial resources to satisfy any judgement (this is often difficult to establish)
- must be funded by existing assets, creditor funding or external litigation funders. Litigation funders are likely to require a significant share of the proceeds of any recovery as a condition of funding the litigation.

9. DEED OF COMPANY ARRANGEMENT (DEED)

A Deed is a binding agreement between a company and its creditors setting out how a company's affairs will be dealt with. It aims to maximise the chances of the company, or as much as possible of its business continuing to exist, or providing a better return to creditors than would be achieved in a winding up of the company.

Creditors can vote that the Company execute a Deed at the Second Meeting if one is proposed.

We received one Deed proposal for the Company from Bevilles Corp.

9.1 KEY FEATURES

The key features of the proposed Deed from Bevilles Corp are as follows:

- The Deed Administrators will be David McEvoy and Ian Carson
- The Sale Agreement discussed at Section 4.3 is executed (it is conditional on execution of the Deed)
- Bevilles Corp agrees to assume responsibility for certain liabilities of the Transferring Creditors, being:
 - Employee entitlements for Transferring Employees
 - Loans to the Related Parties
 - The majority of unsecured creditors, including the Tara Entities. A list of these creditors is provided at Appendix H.
- Bevilles Corp agrees to repay the Transferring Creditors as follows:
 - Employees – as and when they fall due
 - Related Parties – in accordance with a separate arrangement that includes entering into general security agreements
 - Tara Entities – in accordance with a separate arrangement that includes entering into a general security agreement, ranking behind the Related Parties
 - Other – 25% by 31 July 2014 with the balance of assumed liabilities (75%) by 31 December 2014
- The Transferring Creditors must discharge and release the Company from all claims existing at the date of appointment of Administrators. Transferring Creditors will not participate in any distribution from the Deed Fund.
- For the avoidance of doubt, all creditors who are not Transferring Creditors will be Non-Transferring Creditors
- A Deed Fund will be established, to be comprised of all monies held by the Administrators at the time of execution of the Deed (subject to any payments due under the Sale Agreement at Completion) plus all remaining property of the Company following Completion.
- The Deed Fund will be distributed in the following order:
 - Payment of liabilities incurred by the Administrators and the Administrators Remuneration
 - Payment of priority claims of Non-Transferring Creditors
 - Payment of other Non-Transferring Creditors
- The Deed is conditional upon Related Parties voting in favour of the Deed
- All unsecured creditors will be bound by the Deed.

9.1.1 Administrators' Opinion on Deed

The Deed proposal, if approved, will give effect to the sale of the majority of the business and assets of the Company as intended by the Sale Agreement.

The proposed Deed will see differing outcomes for Transferring Creditors and Non-transferring Creditors.

Transferring Creditors

- 100% of debts owed by the Company to Transferring Creditors will be assigned to Bevilles Corp
- subject to repayment arrangements as detailed above
- repayment will be subject to the credit worthiness of Bevilles Corp. We currently have no visibility of the financial position of Bevilles Corp at this stage. We will make appropriate inquiries ahead of the Second Meeting.
- all claims against the Company will be released and transferring creditors will not be entitled to any distribution from the Deed Fund.

Non-transferring Creditors

- will receive a distribution in accordance with normal dividend procedures, subject to claims being admitted by the Administrators
- timing of distribution (other than to Employees) to be dependent on satisfactorily resolving the amount of contingent landlord claims against the Company

The Deed is likely to provide a better outcome for Transferring Creditors than liquidation, in that Transferring Creditors will have 100% of their claim recognised by Bevilles Corp, albeit subject to separate repayment arrangements and the credit risk associated with those arrangements.

9.1.2 Estimated Return To Creditors

We estimate creditors' returns under the Deed proposal will be:

Creditor Type	Cents in the Dollar	Distribution Timing
Secured creditors	100 cents	n/a, liability assumed by Bevilles Corp
Employees		
Transferring employees	100 cents	n/a, liability assumed by Bevilles Corp
Non-transferring employees	100 cents	4 to 8 weeks
Unsecured creditors:		
Transferring creditors	100 cents	n/a, liability assumed by Bevilles Corp
Non-transferring creditors	46 cents	4 to 8 weeks

Section 10 details our calculation of the estimated creditors' returns under the Deed proposal with a comparison to the estimated returns under the other options available.

At the time of writing this report, there still remains a level of conditionality about the proposed Deed and the estimated return to Non-transferring Creditors. We will provide an updated analysis to creditors either prior to or at the Second Meeting.

9.1.3 Deed Contributions from Trading Proceeds

The Deed Fund will be wholly comprised of net trading proceeds from the date of our appointment until the date of the Second Meeting.

The net proceeds expected to be derived is circa \$4m, before non-trading costs (i.e. Administrators remuneration and legal fees). This estimate is based on forecasts prepared by the Company and advisors, and reviewed by us.

Given the large amount of stock on hand, we have not been required to purchase additional stock, thus enhancing the funds we have been able to generate. As at 21 April 2014, gross sales have totalled approximately \$4.2m, c65% of our projected sales and as such, we expect that our forecast level of trading proceeds will be achieved.

It is important to note, however, that in the event that sales over the next 10 day period decline, the Deed Fund will also diminish, resulting in a lower return than forecast above.

9.1.4 Remuneration and Indemnities

The proposed remuneration for the Deed Administrators in administering the Deed is \$100,000 plus GST and disbursements.

The Administrators will be indemnified out of the Property of the Company and the Deed Fund for:

- remuneration and costs associated with administration of the Deed;
- remuneration and costs payable to the Administrators;
- liabilities incurred by the Company from the date of our appointment as Administrators;
- all actions, proceedings, claims, demands arising out of the Deed which may be made on the Administrators

9.1.5 Monitoring And Reporting

In addition to the administration of the Deed, throughout the Deed Period the Administrators will be responsible for the business and affairs of the Company, excluding the assets sold under the Sale Agreement.

9.2 DEED GENERAL INFORMATION

If creditors decide to vote for a Deed:

- the Company must sign/execute the Deed within 15 business days of the Second Meeting, otherwise the Company automatically proceeds into liquidation. The court can allow longer time if required.
- unsecured creditors will be bound by the Deed, even if they vote against it.
- property owners, lessors, and secured creditors who vote in favour will be bound by the Deed.
- the court can bind any creditor to the Deed.

10. ESTIMATED RETURN TO CREDITORS

10.1 SALE OF BUSINESS

As discussed at **Section 5.3**, a number of parties have submitted non-binding indicative offers.

To allow for a comparison of these offers with the proposed Deed, we have calculated the expected proceeds from the sale of business and assets based on the indicative, non-binding offers received to date.

Broadly, each of the offers have the following characteristics:

- Consideration for stock and plant and equipment
- Assumption of all employee entitlements (and adjustment to offer price)
- Assumption of all store leases, excluding Watergardens and Head Office

It is important for Creditors to note that these indicative offers are highly conditional at this stage and are subject to further intensive due diligence. It is therefore plausible that binding offers if received may be materially different to the indicative bids received to date. The timing under this scenario is also uncertain.

We will provide further details on the status of these offers prior to or at the Second Meeting.

10.2 COMPARISON OF EXPECTED RETURNS

Detailed below is a comparison of the estimated returns to creditors under 'high' and 'low' case liquidation and Deed scenarios.

Based on the assumptions detailed in the notes below and the risks highlighted above, the 'high' case sale of business scenario provides for an estimated return to unsecured creditors of 77 cents in the dollar, with a 'low' scenario estimate of 26 cents, compared to the Deed scenario of 46 cents for Non-Transferring Creditors and 100 cents for Transferring Creditors.

On the assumption that we can convert one of the indicative offers (discussed above) to a final binding offer prior to the Second Meeting, it is our view that Non-Transferring Creditors are likely to receive a greater return by rejecting the proposed Deed and completing a sale to one of the external parties.

However, if a sale to an external party cannot be achieved, we estimate that the proposed Deed provides a materially better return to all creditors than a winding up.

\$'000	Notes	Liquidation		Deed
		No Sale - Low case estimate	Sale - High case estimate	estimate
Circulating Asset Realisations				
Debtors	a	63	63	63
Proceeds from stock realisations	b	16,661	15,527	7,099
Cash at bank	c	1,075	1,542	525
DOCA Contribution	d			
Total Circulating Asset Realisations		17,799	17,132	7,686
Priority Claim on Assets				
Employee Entitlements	e	(3,535)	(1,444)	(1,890)
PPSR Settlements	f	(791)	(791)	(395)
Surplus/(Deficit) From Circulating Assets		13,473	14,897	5,401
Non-Circulating Asset realisations				
Plant & Equipment	g	264	132	
Other				
Total Non-Circulating Asset realisations		264	132	
Voidable transaction claims	h			
Insolvent trading claims	i			
Surplus/(Deficit) from Realisations prior to costs		13,737	15,029	5,401
Less Costs of Administration				
Trading costs	j	(5,530)	(2,889)	(2,889)
Administrators Costs to 2 May	k	(475)	(475)	(475)
Administrators Disbursements	l	(50)	(50)	(50)
Realisation Costs - BG Fee's, Sale costs, etc	m	(45)	(45)	(45)
Liquidator / Deed Administrator Costs	n	(500)	(250)	(100)
Legal Fees	o	(250)	(350)	(250)
Contingency	p	(100)		
Total Costs		(6,950)	(4,059)	(3,809)
Cash Surplus/(Deficit) from Asset Realisations		6,787	10,970	1,592
Less amounts owing to Secured Creditors	q	(3,760)	(3,760)	
Funds Available for Unsecured Creditors		3,027	7,210	1,592
Unsecured creditors claims				
Trade Creditors (excluding PPSR creditors repaid)	r	(7,208)	(7,208)	(472)
ATO Liabilities	s	(1,013)	(1,013)	(1,013)
LayBy Creditors (uncollected)	t		(369)	
Contingent landlord claims	u	(3,170)	(499)	(1,756)
Landlord rent arrears	v	(218)	(218)	(218)
Contingency for Unknown Creditors	w	(100)	(100)	
Total unsecured creditors claims		(11,710)	(9,408)	(3,459)
Dividend to unsecured creditors (c in \$)		.26	.77	.46

Note, the estimated dividend under the Deed proposal is for Non-Transferring Creditors only

Notes

- a. *Proceeds from collection of Company's debtors*
- b. *Realisations from ongoing trading from date of appointment up until date of the 2nd creditor meeting, being 2 May 2014. As at 21 April 2014, gross sales totalled approximately \$4.2m.*
- c. *Cash at bank available to the Administrators as at 1 April 2014 totalled \$525k. In a liquidation scenario, a further \$550k is available from the Mawsons' escrow fund and we expect additional monies to be available if a sale is successful, through the return of bank guarantees (c\$467k) from assigned leases.*
- d. *No additional funds are to be contributed to the Deed Fund*
- e. *Provision for employee entitlements, including redundancy entitlements, payable to employees. Under the Deed scenario, a number of employees will not be offered continuing employment by Bevilles Corp.*
- f. *To date, we have received perfected and enforceable PMSI claims from suppliers totalling approximately \$790k. Under Liquidation, we have allowed for these claims to be repaid in full whilst under the Deed we have allowed for approximately 50%, which equates to the expected sale of stock relating to PMSI claims during the administration trading period.*
- g. *The Company's plant and equipment primarily comprises furniture, fittings and computer equipment across each of the Company's stores and head office. The realisation estimates provided above are based on indicative offers received to date whilst under the Deed it is likely that Bevilles Corp will require a material amount of the Company's plant and equipment.*
- h. *Based on work undertaken to date we are not aware of any voidable transactions and note in any event that it may be difficult to prove any such transactions. For conservatism we have assumed nil recoveries at this stage*
- i. *We believe that the Company may have traded whilst insolvent in the lead up to our appointment however significant further investigation would be required to conclude on this issue. For conservatism we have assumed nil recoveries at this stage*
- j. *Trading liabilities incurred by the Company, including rent and wages.*
- k. *Estimated remuneration owing to the Administrators as at the date of the Second Meeting*
- l. *Estimated disbursements owing to the Administrators as at the date of the Second Meeting. These costs cover general costs such as printing, photocopy expenses, advertising and associated costs in relation to the sale process*
- m. *Costs associated with conducting the sale campaign and additional Bank Guarantee fees to enable the facility to remain in place*
- n. *Estimated remuneration incurred by either the Liquidators or Deed Administrators from 2 May 2014 onwards*
- o. *Estimated legal fees for the duration of Administration period and either Liquidation or Deed period, including advice given in relation to the Sale Agreement and preparation of this report*
- p. *Estimated contingency for unknown liabilities*
- q. *This represents amounts owed to the Company's secured creditors plus estimated interest payable from 1 April 2014 to 30 June 2014.*

-
- r. *Balance owing to trade creditors according to the Company's books and records as at 1 April 2014, excluding any PMSI creditors referred to in point f above. The Deed amount excludes amounts owing to the Transferring Creditors.*
 - s. *Estimated amount owing to the Australian Taxation Office.*
 - t. *Estimated liability for customer deposits paid for laybys that remain uncollected at the date of the Second Meeting. Under the deed, these liabilities will be assumed in full by Bevilles Corp*
 - u. *Estimated landlord claims for breach of lease and includes future rent payable and make good (subject to a landlord's requirement to mitigate loss)*
 - v. *Outstanding rent for the 7 day rent-free period afforded to the Administrators under section 443B of the Corporations Act*
 - w. *Estimated contingency for unknown creditor claims that were not included in the Company's books and records.*

11. ADMINISTRATORS' RECOMMENDATION

We have received one Deed proposal and various indicative non-binding offers via our sale process. We have assumed for the purposes of providing a recommendation that if any of the offers generated via our sale process were to proceed they would be effectuated during the course of the Company's winding-up.

Each of the Deed and the sale offers have various levels of conditionality attached, which mean that the range of outcomes for creditors cannot be assessed with certainty. While we are obliged to make a recommendation to creditors now on the information presently available, our aim is to remove as many of these conditions as possible between now and the Second Meeting, so that creditors can make a more informed decision at that time. We will provide an update to creditors shortly before or at the Second Meeting.

Based on presently available information, our assessment is that the offers received from the sale of business process have the potential to generate a higher return for creditors than the Deed proposal. Accordingly, on the assumption that these offers can be converted to final, binding bids **we recommend that it is in the creditors' best interests that the Deed proposal be rejected and that we complete a sale to the highest bidder, following which the Company will be wound up (absent an alternative Deed proposal).**

In making this recommendation, we note that the conditionality attached to the Deed proposal is likely to be resolved by the time of the Second Meeting, whereas the position with indicative bids from external parties may or may not still be subject to uncertainty. In such circumstance, creditors may prefer the option that offers the least execution risk, rather than the highest dividend potential but greater uncertainty in respect of completion. Again, these are issues which we will update creditors on as soon as practicable.

The Administrators are required to make a recommendation to pursuant to Section 439A4(b) of the Act. Our opinion of each option available to creditors is discussed below.

11.1 LIQUIDATION

Our preliminary view is that the Company may have traded whilst insolvent in the period leading up to our appointment, but significant further investigation would be required by a liquidator in order to reach a conclusion on this issue. Creditors should note that insolvent trading claims are difficult and costly to pursue, and even if successful they may not generate an additional return for creditors.

A liquidator would be in a position to conduct detailed investigations into the circumstances leading up to the appointment of the Administrators and the Deed proposal submitted by the director.

A liquidator (if appointed) will be empowered to:

- assist employees in applying for FEG for the payment of certain employee entitlements that cannot otherwise be funded by the Company
- pursue various potential recoveries under the Act, such as voidable transactions (**Section 8**)
- distribute recoveries made in accordance with the priority provisions of the Act.
- complete thorough investigations into:
 - the Company's dealings and affairs
 - actions of the director
- report findings to ASIC pursuant to the Act

Should Creditors reject the Deed, we will seek to finalise a sale of the Company's business and assets and then proceed to wind up the Company. If a sale is achieved at the indicative bid levels we expect that it would provide a better return to Non-Transferring Creditors compared to the Deed.

Accordingly, based on presently available information we recommend that it is in the creditors' best interests that the Deed proposal be rejected and that we complete a sale to the highest bidder, following which the Company will be wound up (absent an alternative Deed proposal).

11.2 DEED

We received one Deed proposal for the Company as discussed in Section 9.

We are of the view that the return to creditors under the proposed Deed and Sale Agreement in its current form (i.e. proposed Transferring Creditors, Employees and Leases as at the date of this report) will provide a materially better outcome than a winding up where no sale of business is achieved (our 'low' case scenario) but is unlikely to provide a better return for Non-Transferring Creditors than a sale of business to an external party at indicative bid levels (our 'high' case scenario).

Accordingly, this option is not recommended at the present time.

11.3 ADMINISTRATION TO END

Whilst our investigations are continuing, it is evident that the Company is insolvent and unable to pay its debts as and when they fall due.

Accordingly, returning control of the Company to the director would be inappropriate in the present circumstances.

12. ENQUIRIES

Should you have any enquiries please contact the PPB Advisory Melbourne office on (03) 9269 4170 or by email at bevilles@ppbadvisory.com.

DATED 23rd day of April 2014



David McEvoy & Ian Carson
Administrators

FORM 532
Corporations Act 2001

BEVILLES PTY. LTD.
(ADMINISTRATORS APPOINTED) ('THE COMPANY')
ACN 005 064 308

APPOINTMENT OF PROXY

A. Appointment of a proxy

I/We,,
(If a company, strike out "I" and set out full name of the company)

of,
(address)

a creditor of the Company appoint.....
as my/our proxy, or in his/her absence....., to vote at the meeting of creditors
to be held on 2 May 2014 at CQ Functions, 113 Queen St, Melbourne at 10:00 am or at any adjournment of that
meeting.

B. Voting directions

Option 1: If appointed as a general proxy, as he/she determines on my/our behalf
(Please proceed to section C ie do not complete the table below)

and/or

Option 2: If appointed as a special proxy in the manner set out below:
(Please complete the table below before proceeding to section C)

No	Resolution	\$	For	Against	Abstain
1	To approve the Administrators' remuneration for the period 1 April 2014 to 21 April 2014 of \$366,509.50 plus GST, as set out in the Remuneration Report dated 23 April 2014	366,509.50 (plus GST)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	To approve the Administrators' remuneration for the period 22 April 2014 to the conclusion of the Administration up to a maximum of \$110,000.00 plus GST, as set out in the Remuneration Report dated 23 April 2014	110,000.00 (plus GST)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 (If Applicable)	To approve the Deed Administrators' remuneration for the period 2 May 2014 to the date the Deed is effectuated up to a maximum of \$100,000.00 plus GST, as set out in the Remuneration Report dated 23 April 2014	100,000.00 (plus GST)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 (If Applicable)	To approve the Liquidators' remuneration for the period 2 May 2014 to the conclusion of the Liquidation up to a maximum of \$250,000.00 plus GST, as set out in the Remuneration Report dated 23 April 2014	250,000.00 (plus GST)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

C. Signature (in accordance with Sections 127 or 250D of the Corporations Act 2001)

If the creditor is an individual

.....

If the creditor is a Company

.....

Director/Company Secretary

.....

Print name

Dated this day of 2014

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: _____

INFORMAL PROOF OF DEBT FORM FOR THE PURPOSE OF VOTING
AT A MEETING OF CREDITORS IN A VOLUNTARY ADMINISTRATION

To the Administrator of **Bevilles Pty Ltd**
(Administrators Appointed)

Name of Creditor.....

Amount of debt claimed (see Note 1 below)

Consideration for debt.....

Whether debt secured or unsecured.....

If secured, give details of security including dates, etc.....

Pursuant to Regulation 5.6.11A and Section 600G of the Corporations Act 2001, I give the Administrator/Liquidator authorisation to give or send a notice, or other document, to me via email or facsimile at the following address/number:

.....@.....
Contact Name

(.....).....
Contact Name

.....
CREDITOR (or person authorised by creditor)

(i) NOTE 1

A creditor may not vote on any contingent debt, an unliquidated claim or a debt the value of which is not ascertained unless a just estimate of its value has been made.

(ii) NOTE 2

A secured creditor who votes in favour of a Deed of Company Arrangement may affect its right to act under that security. Legal advice should be sought if you are unsure in this regard.

(iii) NOTE 3

This Proof should be signed by a creditor or a person in the employ of the creditor duly authorised by that creditor to sign. If a creditor is a company, it should be signed by a person authorised under the Seal of the Company, to make a Proof of Debt on its behalf. The Chairman of the Meeting may admit or reject a Proof of Debt for the purpose of voting at the meeting.

Remuneration report

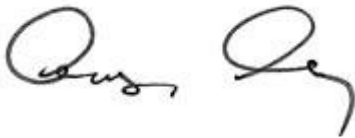
Bevilles Pty Ltd
(Administrators Appointed)
(‘the Company’)
ACN 005 064 308

1. Remuneration declaration
2. Executive summary
3. Resolution 1 – Description of Work Completed for Administration Period
4. Resolution 2 – Prospective Remuneration for Administration Period
5. Resolution 3 – Prospective Remuneration for the Deed Administrators (if applicable)
6. Resolution 4 – Prospective Remuneration for the Liquidators (if applicable)
7. Calculation of remuneration
8. Statement of remuneration claim
9. Remuneration recoverable from external sources
10. Disbursements
11. Summary of receipts and payments
12. Queries
13. Information sheets

1. Remuneration declaration

We, David McEvoy and Ian Carson of PPB Advisory, have undertaken a proper assessment of this remuneration claim for our appointment as Joint and Several Administrators of Bevilles Pty Ltd in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the administration.

Dated this 23 day of April 2014



David McEvoy and Ian Carson
Joint and Several Administrators
Bevilles Pty Ltd

2. Executive summary

To date, no remuneration has been approved and paid in this administration. This remuneration report details approval sought for the following fees:

Period	Amount (ex GST)
Current remuneration approval sought:	
Voluntary Administration	
Resolution 1: 1 April 2014 to 21 April 2014	\$366,509.50
Resolution 2: 22 April 2014 to 1 May 2014	\$110,000.00
Deed of Company Arrangement (if applicable)	
Resolution 3: 2 May 2014 to completion of the Deed of Company Arrangement	\$100,000.00
Liquidation (if applicable)	
Resolution 4: 2 May 2014 to completion of the Liquidation	\$250,000.00
* Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.	

This is consistent with the estimate of costs provided in our Initial Advice to Creditors dated 2 April 2014, which estimated a cost of the administration for the period up to the Second Creditors Meeting to be in the range of \$400,000 to \$500,000 (excluding GST).

3. Resolution 1 – Description of Work Completed for Administration Period

Summary of work undertaken by David McEvoy and Ian Carson, as Administrators of the Company, and their staff for the period 1 April 2014 to 21 April 2014

Task Area	General Description	Includes
Assets 246.20 hours \$111,384.00	Sale of Business	<ul style="list-style-type: none"> • Discussions with, and obtaining information from, Company management • Preparing strategy for sale of business • Preparation of Confidentiality Agreements to be signed by interested parties • Preparing information memorandum for use by prospective purchasers • Establishing and maintaining electronic data room for use by interested parties performing due diligence • Liaising with potential purchasers • Internal meetings to discuss/review offers received
	Debtors	<ul style="list-style-type: none"> • Correspondence with debtors • Ongoing review and assessment of debtors ledger
	Stock	<ul style="list-style-type: none"> • Conducting stock counts • Reviewing stock values • Liaising with prospective purchasers
	Leasing	<ul style="list-style-type: none"> • Reviewing leasing documents • Liaising with owners/lessors
Creditors 242.10 hours \$93,091.00	Creditor Enquiries	<ul style="list-style-type: none"> • Receive and follow up creditor enquiries • Maintaining creditor enquiry register • Review and prepare correspondence to creditors and their representatives
	Retention of Title Claims	<ul style="list-style-type: none"> • Search the Personal Property Securities Register to identify listed securities • Notify creditors identified as holding relevant security interests (PMSI holders) from PPSR register • Receive initial notifications of creditors' intention to claims • Provision of retention of title claim questionnaires to creditors • Receive and assess completed retention of title claim questionnaires • Maintain retention of title file
	Secured creditor reporting	<ul style="list-style-type: none"> • Notifying creditors with registered security interests of appointment • Responding to secured creditor queries
	Creditor reports	<ul style="list-style-type: none"> • Preparing reports to creditors, including the

Task Area	General Description	Includes
		section 439A report <ul style="list-style-type: none"> • Compiling necessary information required for this Remuneration Report • Liaising with the director and key management in relation to the contents of the s439A report • Internal discussions and reviews in regard to the s439A report preparation
	Dealing with proofs of debt	<ul style="list-style-type: none"> • Reviewing proofs of debt received • Corresponding with Office of State Revenue and Australian Taxation Office regarding proofs of debt
	Meeting of Creditors	<ul style="list-style-type: none"> • Preparation of meeting notices, statutory forms and advertisements • Forward notice of meeting to all known creditors • Preparation of meeting file including agenda, certificate of postage, attendance register, list of creditors, report to creditors, advertisement of meeting and draft minutes of meeting. • Preparation and lodgement of minutes of meetings with ASIC • Responding to stakeholder queries and questions immediately following meeting • Conducting the First Meeting of Creditors
Employees 16.90 hours \$6,522.00	Employees enquiries	<ul style="list-style-type: none"> • Receive and follow up employee enquiries • Maintain employee enquiry register
	Calculation of entitlements	<ul style="list-style-type: none"> • Review of employee entitlements information provided by the Company • Reviewing employee files and other Company books and records • Reviewing relevant awards
Trade On 166.30 hours \$71,191.50	Trade On Management	<ul style="list-style-type: none"> • Liaising with suppliers • Liaising with management and staff • Attendance on site, including store visits • Attending to employee and operational issues • Reviewing promotion strategies to increase sales • Authorising purchase orders • Maintaining purchase order registry • Monitoring daily sales by store • Reviewing stock position of stores • Preparing and authorising receipt vouchers • Preparing and authorising payment vouchers • Liaising with Office of State Revenue regarding payroll tax issues
	Processing receipts and payments	<ul style="list-style-type: none"> • Entering receipts and payments into accounting system

Task Area	General Description	Includes
	Budgeting and financial reporting	<ul style="list-style-type: none"> • Reviewing Company's budgets and financial statements • Preparing budgets • Preparing ongoing trading information • Finalising trading profit or loss • Meetings to discuss trading position
Investigation 54.50 hours \$27,761.00	Conducting investigation	<ul style="list-style-type: none"> • Search the ASIC register for statutory details • Search Personal Property Securities Register to establish security holders • Summarising statutory searches conducted • Collection and review of Company books and records • Extracting historical financial and trading reports • Reviewing audited financial statements and auditor's reports • Preparation of comparative financial statements • Investigations into the Company's business, affairs and financial circumstances • Review historical data to identify possible voidable transactions • Investigations to identify indicators of insolvency and any possible claims for insolvent trading • Preparation of investigation file

Task Area	General Description	Includes
Administration 128.30 hours \$56,560.00	Document maintenance/file review/checklist	<ul style="list-style-type: none"> Filing of documents File reviews Updating checklists
	Insurance	<ul style="list-style-type: none"> Identification of potential issues requiring attention of insurance specialists Correspondence with insurer regarding initial and ongoing insurance requirements Reviewing insurance policies Correspondence with previous brokers
	Bank account administration	<ul style="list-style-type: none"> Preparing correspondence and opening accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> Preparing and lodging ASIC forms Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> Notification of appointment
	Planning / Review	<ul style="list-style-type: none"> Discussions regarding status of administration
	Books and records / storage	<ul style="list-style-type: none"> Dealing with records in storage

4. Resolution 2 – Prospective Remuneration for Administration Period

Summary of work expected to be undertaken by David McEvoy and Ian Carson, as Administrators of the Company, and their staff for the period 22 April 2014 to 1 May 2014

Task Area	General Description	Includes
Assets 9.77 hours \$5,000.00	Debtors/stock	<ul style="list-style-type: none"> • Correspondence with debtors • Reviewing and assessing debtors ledgers • Reviewing stock realisation strategy
Creditors 60.57 hours \$20,000.00	Creditor Enquiries	<ul style="list-style-type: none"> • Receive and follow up creditor enquiries via telephone • Maintaining creditor enquiry register • Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Retention of Title Claims	<ul style="list-style-type: none"> • Provision of retention of title claim questionnaire to creditors • Review completed retention of title claim questionnaires • Maintain retention of title file • Adjudicate retention of title claims
	Creditor reports	<ul style="list-style-type: none"> • Finalising 439a report to creditors
	Meeting of Creditors	<ul style="list-style-type: none"> • Preparation of meeting notices, proxies and advertisements • Forward notice of meeting to all known creditors • Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. • Conducting Second Meeting of Creditors • Preparation of minutes of meetings of creditor meeting
Employees 13.80 hours \$5,000.00	Employees enquiries	<ul style="list-style-type: none"> • Receive and follow up employee enquiries via telephone • Maintain employee enquiry register • Review and prepare correspondence to creditors and their representatives via facsimile, email and post

Task Area	General Description	Includes
Trade On 77.49 hours \$30,000.00	Trade On Management	<ul style="list-style-type: none"> • Liaising with suppliers • Liaising with management and staff • Attendance on site, including site visits • Attending to employee and operational issues • Reviewing promotion strategies to increase sales • Authorising purchase orders • Maintaining purchase order registry • Monitoring daily sales by store • Reviewing stock position of stores • Preparing and authorising receipt vouchers • Preparing and authorising payment vouchers
	Processing receipts and payments	<ul style="list-style-type: none"> • Entering receipts and payments into accounting system
	Budgeting and financial reporting	<ul style="list-style-type: none"> • Reviewing company's budgets and financial statements • Preparing budgets • Preparing weekly financial reports • Finalising trading profit or loss • Meetings to discuss trading position
Investigation 5.31 hours \$2,500.00	Conducting investigation	<ul style="list-style-type: none"> • Finalising investigations memo
Administration 59.71 hours \$20,000.00	Document maintenance/file review/checklist	<ul style="list-style-type: none"> • Filing of documents • Updating checklists
	Insurance	<ul style="list-style-type: none"> • Correspondence with brokers
	Bank account administration	<ul style="list-style-type: none"> • Requesting bank statements • Bank account reconciliations • Correspondence with bank regarding specific transfers
	Planning / Review	<ul style="list-style-type: none"> • Discussions regarding status of administration
Corporate Advisory 60.81 hours \$27,500.00	Sale of Business	<ul style="list-style-type: none"> • Liaising with purchasers • Internal meetings to discuss/review offers received • Facilitating stage two due diligence • Negotiating final offers

5. Resolution 3 – Prospective Remuneration for the Deed Administrators (if applicable)

Summary of work expected to be undertaken by David McEvoy and Ian Carson as Deed Administrators of the Company (if applicable) and their staff for the period 2 May 2014 to completion of the Deed of Company Arrangement

Task Area	General Description	Includes
Assets 24.61 hours \$9,999.10	Debtors	<ul style="list-style-type: none"> Correspondence with debtors Reviewing and assessing debtors ledgers Liaising with debt collectors and solicitors
	Stock	<ul style="list-style-type: none"> Conducting stock takes Reviewing stock values
Creditors 33.40 hours \$9,999.50	Creditor Enquiries	<ul style="list-style-type: none"> Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Retention of Title Claims	<ul style="list-style-type: none"> Adjudicate retention of title claims Forward correspondence to claimant notifying outcome of adjudication Preparation of payment vouchers to satisfy valid claims Preparation of correspondence to claimants to accompany payment of claims (if valid)
	Secured creditor reporting	<ul style="list-style-type: none"> Preparing reports to secured creditor Responding to secured creditor's queries
	Creditor reports	<ul style="list-style-type: none"> Preparing general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> Receipting and filing POD when not related to a dividend Corresponding with OSR and ATO regarding POD when not related to a dividend
	Meeting of Creditors	<ul style="list-style-type: none"> Preparation and lodgement of minutes of meetings with ASIC Responding to stakeholder queries and questions immediately following meeting
Employees 67.63 hours \$20,004.05	Employees enquiries	<ul style="list-style-type: none"> Receive and follow up employee enquiries via telephone Maintain employee enquiry register Preparation of letters to employees advising of their entitlements and options available Receive and prepare correspondence in response to employees objections to leave entitlements
	Calculation of entitlements	<ul style="list-style-type: none"> Calculating employee entitlements Reviewing employee files and company's books and records Reconciling superannuation accounts

Task Area	General Description	Includes
		<ul style="list-style-type: none"> • Reviewing awards • Liaising with solicitors regarding entitlements
	Employee dividend	<ul style="list-style-type: none"> • Correspondence with employees regarding dividend • Correspondence with ATO regarding SGC proof of debt • Calculating dividend rate • Preparing dividend file • Advertising dividend notice • Preparing distribution • Receipting POD • Adjudicating POD • Ensuring PAYG is remitted to ATO
Trade On 13.17 hours \$5,000.70	Trade On Management	<ul style="list-style-type: none"> • Liaising with suppliers • Liaising with management and staff • Liaising with superannuation funds regarding contributions, termination of employees employment
	Processing receipts and payments	<ul style="list-style-type: none"> • Entering receipts and payments into accounting system
	Budgeting and financial reporting	<ul style="list-style-type: none"> • Finalising trading profit or loss • Meetings to discuss trading position
Dividend 122.64 hours \$44,999.71	Processing proofs of debt	<ul style="list-style-type: none"> • Preparation of correspondence to potential creditors inviting lodgement of POD • Receipt of POD • Maintain POD register • Adjudicating POD • Request further information from claimants regarding POD • Preparation of correspondence to claimant advising outcome of adjudication
	Dividend procedures	<ul style="list-style-type: none"> • Preparation of correspondence to creditors advising of intention to declare dividend • Advertisement of intention to declare dividend • Obtain clearance from ATO to allow distribution of company's assets • Preparation of dividend calculation • Preparation of correspondence to creditors announcing declaration of dividend • Advertise announcement of dividend • Preparation of distribution • Preparation of dividend file • Preparation of payment vouchers to pay dividend • Preparation of correspondence to creditors enclosing payment of dividend

Task Area	General Description	Includes
Administration 28.23 hours \$10,000.00	Document maintenance/file review/checklist	<ul style="list-style-type: none"> Filing of documents File reviews Updating checklists
	Insurance	<ul style="list-style-type: none"> Correspondence with broker to finalise insurance
	Bank account administration	<ul style="list-style-type: none"> Preparing correspondence closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> Preparing BAS Completing group certificates
	Finalisation	<ul style="list-style-type: none"> Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists Finalising WIP
	Planning / Review	<ul style="list-style-type: none"> Discussions regarding status of administration
	Books and records / storage	<ul style="list-style-type: none"> Dealing with records in storage Sending job files to storage

6. Resolution 4 – Prospective Remuneration for the Liquidators (if applicable)

Summary of work expected to be undertaken by David McEvoy and Ian Carson as Liquidators of the Company (if applicable) and their staff for the period 2 May 2014 to completion of the Liquidation

Task Area	General Description	Includes
Assets 136 hours \$50,165.79	Plant and Equipment	<ul style="list-style-type: none"> • Liaising with valuers, auctioneers and interested parties • Reviewing asset listings
	Debtors	<ul style="list-style-type: none"> • Correspondence with debtors • Reviewing and assessing debtors ledgers • Liaising with debt collectors and solicitors
	Stock	<ul style="list-style-type: none"> • Conducting stock counts • Reviewing stock values • Liaising with purchasers
	Leasing	<ul style="list-style-type: none"> • Liaising with owners/lessors • Tasks associated with disclaiming leases
Creditors 57.80 hours \$19,939.00	Creditor Enquiries	<ul style="list-style-type: none"> • Receive and follow up creditor enquiries • Maintaining creditor enquiry register • Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Retention of Title Claims	<ul style="list-style-type: none"> • Adjudicate retention of title claim • Forward correspondence to claimant notifying outcome of adjudication • Preparation of payment vouchers to satisfy valid claim • Preparation of correspondence to claimant to accompany payment of claim (if valid)
	Secured creditor reporting	<ul style="list-style-type: none"> • Preparing reports to secured creditor • Responding to secured creditor's queries
	Creditor reports	<ul style="list-style-type: none"> • Preparing general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> • Receipting and filing POD when not related to a dividend • Corresponding with OSR and ATO regarding POD when not related to a dividend

Task Area	General Description	Includes
Employees 54.10 hours \$19,984.50	Employees enquiries	<ul style="list-style-type: none"> • Receive and follow up employee enquiries via telephone • Maintain employee enquiry register • Review and prepare correspondence to creditors and their representatives via facsimile, email and post • Preparation of letters to employees advising of their entitlements and options available • Receive and prepare correspondence in response to employees objections to leave entitlements
	FEG	<ul style="list-style-type: none"> • Correspondence with FEG • Preparing notification spreadsheet • Preparing FEG quotations • Preparing FEG distributions
	Calculation of entitlements	<ul style="list-style-type: none"> • Calculating employee entitlements • Reviewing employee files and company's books and records • Reviewing awards • Liaising with solicitors regarding entitlements
	Employee dividend	<ul style="list-style-type: none"> • Correspondence with employees regarding dividend • Correspondence with ATO regarding SGC proof of debt • Calculating dividend rate • Preparing dividend file • Advertising dividend notice • Preparing distribution • Receipting POD • Adjudicating POD • Ensuring PAYG is remitted to ATO
Trade On 8.70 hours \$5,000.26	Trade On Management	<ul style="list-style-type: none"> • Liaising with suppliers • Liaising with management and staff • Preparing and authorising receipt vouchers • Preparing and authorising payment vouchers • Liaising with superannuation funds regarding contributions, termination of employees employment
	Processing receipts and payments	<ul style="list-style-type: none"> • Entering receipts and payments into accounting system

Task Area	General Description	Includes
	Budgeting and financial reporting	<ul style="list-style-type: none"> • Reviewing company's budgets and financial statements • Finalising trading profit or loss • Meetings to discuss trading position
Investigation 118.90 hours \$50,007.20	Conducting investigation	<ul style="list-style-type: none"> • Collection of company books and records • Reviewing company's books and records • Review of specific transactions and liaising with directors regarding certain transactions • Liaising with directors regarding certain transactions • Preparation of investigation file • Lodgement of investigation with the ASIC • Preparation and lodgement of supplementary report if required
	Examinations	<ul style="list-style-type: none"> • Preparing brief to solicitor • Liaising with solicitor(s) regarding examinations • Attendance at examination • Reviewing examination transcripts • Liaising with solicitor(s) regarding outcome of examinations and further actions available
	Litigation / Recoveries	<ul style="list-style-type: none"> • Internal meetings to discuss status of litigation • Preparing brief to solicitors • Liaising with solicitors regarding recovery actions • Attending to negotiations • Attending to settlement matters
	ASIC reporting	<ul style="list-style-type: none"> • Preparing statutory investigation reports • Liaising with ASIC
Dividend 114.90 hours \$40,014.00	Processing proofs of debt	<ul style="list-style-type: none"> • Preparation of correspondence to potential creditors inviting lodgement of POD • Receipt of POD • Maintain POD register • Adjudicating POD • Request further information from claimants regarding POD • Preparation of correspondence to claimant advising outcome of adjudication

Task Area	General Description	Includes
	Dividend procedures	<ul style="list-style-type: none"> • Preparation of correspondence to creditors advising of intention to declare dividend • Advertisement of intention to declare dividend • Obtain clearance from ATO to allow distribution of company's assets • Preparation of dividend calculation • Preparation of correspondence to creditors announcing declaration of dividend • Advertise announcement of dividend • Preparation of distribution • Preparation of dividend file • Preparation of payment vouchers to pay dividend • Preparation of correspondence to creditors enclosing payment of dividend
Administration 88.90 hours \$34,894.00	Document maintenance/file review/checklist	<ul style="list-style-type: none"> • First month, then six monthly administration review • Filing of documents • File reviews • Updating checklists
	Insurance	<ul style="list-style-type: none"> • Correspondence with broker
	Bank account administration	<ul style="list-style-type: none"> • Preparing correspondence closing accounts • Requesting bank statements • Bank account reconciliations • Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> • Preparing and lodging ASIC forms including 505, 524, 911 etc • Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	<ul style="list-style-type: none"> • Preparing BAS • Completing group certificates
	Finalisation	<ul style="list-style-type: none"> • Notifying ATO of finalisation • Cancelling ABN / GST / PAYG registration • Completing checklists • Finalising WIP
	Planning / Review	<ul style="list-style-type: none"> • Discussions regarding status of liquidation
	Books and records / storage	<ul style="list-style-type: none"> • Dealing with records in storage • Sending job files to storage
Corporate Advisory 63.35 hours \$29,995.25	Sale of Assets	<ul style="list-style-type: none"> • Liaising with purchasers • Internal meetings to discuss offers received • Finalising sale of assets

7. Calculation of remuneration

Detailed calculations of the remuneration outlined above for resolutions 1 to 4 are attached as **Appendix 1**.

8. Statement of remuneration claim

At the second meeting of creditors to be held on 2 May 2014, creditors will be asked to consider the following resolutions:

Resolution 1

“To approve the Administrators’ remuneration for the period 1 April 2014 to 21 April 2014 of \$366,509.50 plus GST dated 23 April 2014.”

Resolution 2

“To approve the Administrators’ remuneration for the period 22 April 2014 to the conclusion of the Administration up to a maximum of \$110,000.00 plus GST, as set out in the Remuneration Report dated 23 April 2014.”

Resolution 3 (if applicable)

“To approve the Deed Administrators’ remuneration for the period 2 May 2014 to the date the Deed is effectuated up to a maximum of \$100,000.00 plus GST, as set out in the Remuneration Report dated 23 April 2014.”

Resolution 4 (if applicable)

“To approve the Liquidators’ remuneration for the period 2 May 2014 to the conclusion of the Liquidation up to a maximum of \$250,000.00 plus GST, as set out in the Remuneration Report dated 23 April 2014.”

Future remuneration is approved subject to a maximum or cap. Sometimes, the actual cost of the administration will exceed the maximum which has been approved, in which case, we may seek another resolution for additional remuneration. We will not pay any amount exceeding the maximum without this approval.

Where funds are available, we will usually pay approved remuneration at intervals not less than one month. Where funds are not available, remuneration will not be paid.

9. Remuneration recoverable from external sources

The Administrators have not received any funding from external sources for the Administrators’ remuneration.

10. Disbursements

Disbursements are divided into three types:

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

both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis.

We are not required to seek creditor approval for disbursements, but must account to creditors.

We have undertaken a proper assessment of disbursements claimed for Bevilles Pty Ltd, in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed are necessary and proper.

The following disbursements have been paid by the Administration to our firm for the period from 1 April 2014 to 21 April 2014. Where amounts have been paid to our firm for externally provided services and costs, those payments are in reimbursement of costs previously paid by our firm, either due to a lack of funds in the administration at the time the payment was due, or the direct invoicing of our firm by the supplier. All of the below transactions appear in the receipts and payments listing attached to this report as Appointee disbursements. Where payments to third parties are paid directly from the administration bank account, they are only included in the attached listing of receipts and payments.

Disbursements paid

1 April 2014 to 21 April 2014

Total

	Total
Externally provided professional services	
Legal costs	Nil
Externally provided non-professional services	
IT Consumables	\$724.41
Advertising	Nil
Printing	Nil
Travel	\$534.38
Other	\$66.55
Internal disbursements	
Photocopies	\$38.25
Postage	\$9.60
Printing	\$866.50
Total	\$2,239.69

To date we have incurred approximately \$126,000.00 of legal fees that have not yet been paid.

Future disbursements provided by our firm will be charged to the administration on the following basis:

Internal Disbursements		Rate (Excl GST)
Advertising		At cost
Courier		At cost
Faxes	Local	\$1.00 (first page) \$0.50 (every page thereafter)
	Interstate	\$1.00 (first page) \$0.50 (every page thereafter)
Photocopies	Black and white	\$0.45 per page
	Colour	\$1.50 per page
Printing	Black and white	\$0.10 per page
	Colour	\$1.50 per page
Postage		At cost
Scans		\$0.05 per page
Searches		At cost
Staff vehicle use		At prescribed ATO rates

Rates applicable for financial year ending 30 June 2014

11. Summary of receipts and payments

The summary of receipts and payments for the period from 1 April 2014 to 21 April 2014 is as follows.

Receipts and Payments Summary

1 April 2014 to 21 April 2014

\$

Receipts	
Sales*	4,605,800
Layby Sales Finalised	894,690
Pre-Appointment debtor receipts	41,663
Cash at bank on appointment	106,000
Total Receipts	5,648,153
Payments	
Employee costs	417,591
Operating costs	734,006
Bank fees and charges	26,202
Administration costs	2,366
Total Payments	1,180,165
Net Receipts/(Payments)	4,467,988

* An additional \$1,005,995.80 in sales (up to 21 April 2014) has been received into the Company's pre-appointment account. These funds will be swept to the Administrators' post-appointment account on 23 April 2014.

12. Queries

Please contact Anna Sajben on +61 3 9269 4170 or by email on bevilles@ppbadvisory.com should you have any queries or require any further information.

13. Information sheets

Enclosed for your attention as **Appendix E** is the ASIC publication '*Insolvency Information for directors, employees, creditors and shareholders*', which provides an index of all the information sheets that are available including information on 'Approving fees'. You can download these forms from www.asic.gov.au/insolvencyinfosheets.

PART 5: CALCULATION OF REMUNERATION

Tabled below is a summary of fees incurred by us, our partners and staff for work undertaken for the period 1 April 2014 to 21 April 2014

Bevilles Pty Ltd

Position	Hourly Rate	Total		Assets		Creditors		Employees		Trade On		Investigation		Dividend		Administration	
		Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Appointees																	
Ian Carson	620	14.60	9,052.00	-	-	2.00	1,240.00	-	-	1.60	992.00	-	-	-	-	11.00	6,820.00
David McEvoy	620	51.30	31,806.00	12.10	7,502.00	6.00	3,720.00	-	-	4.60	2,852.00	3.30	2,046.00	-	-	25.30	15,686.00
Other staff																	
Partner	620	23.40	14,508.00	5.00	3,100.00	-	-	-	-	-	-	11.90	7,378.00	-	-	6.50	4,030.00
Director	560	88.50	49,560.00	88.00	49,280.00	-	-	-	-	-	-	0.50	280.00	-	-	-	-
Senior Manager	490	175.70	86,093.00	7.20	3,528.00	55.60	27,244.00	2.00	980.00	78.80	38,612.00	23.00	11,270.00	-	-	9.10	4,459.00
Manager	445	127.50	56,737.50	8.80	3,916.00	39.40	17,533.00	8.40	3,738.00	26.70	11,881.50	13.50	6,007.50	-	-	30.70	13,661.50
Assistant Manager	410	14.80	6,068.00	-	-	-	-	-	-	14.50	5,945.00	-	-	-	-	0.30	123.00
Senior Analyst 1	370	78.30	28,971.00	-	-	69.70	25,789.00	-	-	6.80	2,516.00	1.60	592.00	-	-	0.20	74.00
Senior Analyst 2	360	114.50	41,220.00	114.50	41,220.00	-	-	-	-	-	-	-	-	-	-	-	-
Analyst 1	305	70.00	21,350.00	4.80	1,464.00	28.80	8,784.00	4.40	1,342.00	8.20	2,501.00	0.30	91.50	-	-	23.50	7,167.50
Analyst 2	240	42.20	10,128.00	5.60	1,344.00	8.50	2,040.00	0.70	168.00	20.90	5,016.00	0.40	96.00	-	-	6.10	1,464.00
Graduate	210	49.10	10,311.00	-	-	32.10	6,741.00	1.40	294.00	4.00	840.00	-	-	-	-	11.60	2,436.00
Undergraduate	190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Senior Bookkeeper	190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bookkeeper	180	1.50	270.00	-	-	-	-	-	-	0.20	36.00	-	-	-	-	1.30	234.00
Personal Assistant	150	2.90	435.00	0.20	30.00	-	-	-	-	-	-	-	-	-	-	2.70	405.00
Administration	120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		854.30	366,509.50	246.20	111,384.00	242.10	93,091.00	16.90	6,522.00	166.30	71,191.50	54.50	27,761.00	-	-	128.30	56,560.00

GST 36,650.95

Total (incl GST) \$ 403,160.45

Average Hourly Rate 429.02

DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS AND INDEMNITIES

BEVILLES PTY. LTD.

ACN 005 064 308

(ADMINISTRATORS APPOINTED) ('THE COMPANY')

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

- A. their independence generally;
- B. relevant relationships, including
 - i the circumstances of the appointment;
 - ii any relationships with the Company and others within the previous 24 months;
 - iii any prior professional services for the Company within the previous 24 months;
 - iv. any other relationships to declare; and
- C. any indemnities given, or payments made, to the Practitioners.

This declaration is made in respect of us, our partners, PPB Advisory and the related entities of PPB Advisory.

A. Independence

We, Ian Carson and David McEvoy of PPB Advisory, Level 21, 181 William Street, Melbourne VIC 3000 have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Joint and Several Administrators of the Company in accordance with the law and applicable professional standards.

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

B. Declaration of Relationships

i. Circumstances of appointment

This appointment was referred to us by Mr Brendon Watkins of Minter Ellison, via a telephone call on 26 March 2014. Minter Ellison was acting on a request from the director of the Company and his lawyers.

We have had three meetings with relevant parties to discuss the Company's affairs prior to our appointment as Voluntary Administrators on 1 April 2014.

On 27 March 2014 we met with the Director (Mr Keith Beville), the CEO (Ms Michelle Stanton) and the Company's lawyer, Mr Jeffrey Appel. The purpose of this meeting was to ascertain our capacity to act as Administrators. During that meeting we discussed the financial situation of the Company and we explained the consequences of insolvency and the process/timelines of Voluntary Administration.

On 28 March 2014 we met with Minter Ellison to further understand the status of the Company and the potential strategy for a DOCA proposal.

On 1 April 2014 we met with the Company's CEO, during which we were requested to consent to act as Administrators.

In our opinion, these meetings and discussions do not affect our independence, as our input was limited to assessing our capacity to consent to act, explaining the process of Voluntary Administration and undertaking a desktop review of relevant information to assist in planning for a potential appointment.

Our advice was restricted to the limitations imposed by Principle 2 of the Code of Professional Practice in relation to pre-appointment advice. Also, the advice provided is unlikely to be subject to review during the administration and would not impact on compliance with our statutory and fiduciary duties. It is for these reasons the advice does not, in our opinion, give rise to a conflict of interest or duty.

We did not receive any remuneration for this advice.

We have provided no other information or advice to the Company, its director and advisors prior to our appointment beyond that outlined in this Declaration of Independence, Relevant Relationships and Indemnities ('DIRRI').

ii. Relevant relationships (excluding professional services to the insolvent)

We, or a member of our firm, have, or have had within the preceding 24 months, a relationship with:

Name	Nature of relationship	Reasons why not an Impediment or Conflict
Commonwealth Bank ('the Charge Holder')	The Charge Holder holds charges over the property of the Company. We have professional relationships with the majority of major banks and lenders in Australia and with a number of staff within the Charge Holder's organisation, particularly in the credit and workout areas. We have previously undertaken formal and informal assignments on behalf of the Charge Holder for a number of years.	There are no matters of which we are aware which give rise to a conflict in this appointment. In particular, our previous relationships with the Charge Holder were not in relation to the Company and/or the Director's affairs or related parties of the Company and/or the Director.
Minter Ellison	Minter Ellison is an adviser to the Company and referred the Company to us for professional advice. We have had previous professional relationships with Minter Ellison and/or a number of Minter Ellison's staff for a number of years. We have previously undertaken formal and informal assignments on Companies referred to us by Minter Ellison.	We believe that this relationship does not result in a conflict of interest or duty because: <ul style="list-style-type: none"> Our previous relationships with Minter Ellison were not in relation to the Company and/or the director's affairs or related parties of the Company and/or the director. We have a wide referral base and Minter Ellison is one of our many referrers of work in the past 24 months
SBA Law	SBA Law is an adviser to the Company. We have had previous professional relationships with SBA Law and/or a number of SBA Law's staff for a number of years. We have previously undertaken an assignment referred to us by SBA Law.	We believe that this relationship does not result in a conflict of interest or duty because: <ul style="list-style-type: none"> Our previous relationships with SBA Law were not in relation to the Company and/or the directors' affairs or related parties of the Company and/or the director. We have a wide referral base and SBA Law is one of our many referrers of work in the past 24 months

<p>Mawson Restructures and Workouts Pty Ltd (Mawson)</p>	<p>Mawson is an adviser to the Company.</p> <p>We have not previously undertaken an assignment referred by Mawson.</p> <p>Over the past twelve months we have met with Mawson twice to discuss the insolvency industry and our approach to undertaking Voluntary Administration strictly in accordance with our obligations and with a view to maximising returns to creditors. Additionally we were approached in another unrelated matter and we did not consent to act.</p>	<p>We believe that this relationship does not result in a conflict of interest or duty because</p> <ul style="list-style-type: none"> • Our previous relationships with Mawson were not in relation to the Company and/or the director's affairs or related parties of the Company and/or the director.
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There are no other prior professional or personal relationships that should be disclosed.

iii. Prior professional services to the insolvent

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

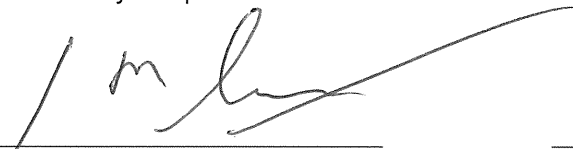
iv. No other relevant relationships to disclose

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

C. Indemnities and up-front payments

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

Dated 2 day of April 2014



Ian Carson
Administrator



David McEvoy
Administrator

Note:

If circumstances change, or new information is identified, we are required under the Corporations Act 2001 and the Australian Restructuring Insolvency & Turnaround Association (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.

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.

FORM 529

Corporations Act 2001

Subregulation 5.6.12(2)

NOTICE OF MEETING OF CREDITORS

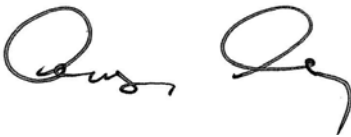
Bevilles Pty Ltd
ACN 005 064 308
(Administrators Appointed) (the Company)

Notice is given that a meeting of the creditors of the Company will be held at the CQ Building, 113 Queen Street, Melbourne VIC 3000 on 2 May 2014, at 10:00am.

AGENDA

1. To review the Joint and Several Administrators report concerning the Company's business, property, affairs and financial circumstances pursuant to Section 439A of the Corporations Act 2001.
2. For creditors to consider the options available and to resolve either;
 - (a) that the company execute a Deed of Company Arrangement: or
 - (b) that the administration should end; or
 - (c) that the company be wound up
3. To approve:
 - (a) the Voluntary Administrator's remuneration; and
 - (b) the remuneration of the Deed Administrator, if one is appointed; or
 - (c) the remuneration of the Liquidator, if one is appointed.
4. If the company is wound up, to consider
 - (a) the appointment of a Committee of Inspection
5. At the meeting, creditors may also, by resolution, vote to appoint someone else as Liquidator / Deed Administrator of the Company.

Dated this 23rd day of April 2014



David McEvoy and Ian Carson
Joint and Several Administrators
Bevilles Pty Ltd

PPB Advisory
Level 21, 181 William Street, Melbourne VIC 3000



ASIC

Australian Securities & Investments Commission

Insolvency information for directors, employees, creditors and shareholders

ASIC has 11 insolvency information sheets to assist you if you're affected by a company's insolvency and have little or no knowledge of what's involved.

These plain language information sheets give directors, employees, creditors and shareholders a basic understanding of the three most common company insolvency procedures—liquidation, voluntary administration and receivership. There is an information sheet on the independence of external administrators and one that explains the process for approving the fees of external administrators. A glossary of commonly used insolvency terms is also provided.

The Insolvency Practitioners Association (IPA), the leading professional organisation in Australia for insolvency practitioners, endorses these publications and encourages its members to make their availability known to affected people.

List of information sheets

- INFO 41 *Insolvency: a glossary of terms*
- INFO 74 *Voluntary administration: a guide for creditors*
- INFO 75 *Voluntary administration: a guide for employees*
- INFO 45 *Liquidation: a guide for creditors*
- INFO 46 *Liquidation: a guide for employees*
- INFO 54 *Receivership: a guide for creditors*
- INFO 55 *Receivership: a guide for employees*
- INFO 43 *Insolvency: a guide for shareholders*
- INFO 42 *Insolvency: a guide for directors*
- INFO 84 *Independence of external administrators: a guide for creditors*
- INFO 85 *Approving fees: a guide for creditors*

Getting copies of the information sheets

To get copies of the information sheets, visit ASIC's website at www.asic.gov.au/insolvencyinfosheets. The information sheets are also available from the IPA website at www.ipaa.com.au. The IPA website also contains the IPA's Code of Professional Practice for Insolvency Professionals, which applies to IPA members.

Important note: The information sheets contain a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. These documents may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances. You will need a qualified professional adviser to take into account your particular circumstances and to tell you how the law applies to you.

Appendix F – PPSR Summary of Registered Interests

PPSR Claimant Name	PPSR #	Date registered on PPSR	Collateral Class/Description
Beville, Keith Robert	201206050122016	5/06/2012	APAAP no exceptions
Citizen Watches Australia Pty Ltd	201201030266290	30/01/2012	Other Goods
Commonwealth Bank of Australia	201112053161204	30/01/2012	APAAP no exceptions
Commonwealth Bank of Australia	201204040139669	4/04/2012	APAAP no exceptions
Deirdre Capital Pty Ltd	201309300097920	30/09/2013	APAAP no exceptions
Fossil (Australia) Pty Ltd	201311040045639	4/11/2013	Other Goods
H.A.G. Import Corpn. (Australia) Pty Ltd	201311130051937	13/11/2013	Other Goods
Konica Minolta Business Solutions Australia Pty Ltd	201204190131547	19/04/2012	Other Goods
Loscam Australia Pty Ltd	201201030046414	30/01/2012	Other Goods
Nick Stretch Legal Pty Ltd Mawson Restructures and Workouts Pty Ltd	201403270075167	27/03/2014	Account
Peter W. Beck Pty Ltd	201202140275654	14/02/2012	Other Goods
Peter W. Beck Pty Ltd	201401300402387	30/01/2014	Other Goods
Pre-Pac Packaging (Aust) Pty Ltd	201201051973622	30/01/2012	Other Goods
Royal Jewellery Manufacturing Inc. American Jewellery Designs Inc. Diamonds Forever of USA Inc.	201309040070010	4/09/2013	Other Goods
Seiko Australia Pty Ltd	201401300196988	30/01/2014	Other Goods
Shriro Australia Pty Ltd	201311140026505	14/11/2013	Other Goods

Creditor Information Sheet

Offences, Recoverable transactions and Insolvent Trading



Offences

A summary of offences that may be identified by the administrator:

Section	Offence
180	Failure by officer to exercise a reasonable degree of care and diligence in the exercise of his powers and the discharge of his duties.
181	Failure to act in good faith.
182	Making improper use of position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of his position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for proper purpose. Use of position or information dishonestly to gain advantage or cause detriment.
206A	Contravening an order against taking part in management of a corporation.
206A, B	Taking part in management of corporation while being an insolvent under an administration.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of auditor.
314-7	Failure to comply with requirements for financial statement preparation.
437C	Performing or exercising a function or power as officer while a company is under administration.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to administrator.
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.

Voidable Transactions

Preferences

A preference is a transaction such as a payment between the company and one or more of its creditors, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant time period is six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Where a creditor receives a preferred payment, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under either the Corporations Act.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into having regard to:

- the benefit or detriment to the company;
- the respective benefits to other parties; and
- any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation.

However, if a related entity is a party to the transaction, the time period is four years and if the intention of the transaction is to defeat creditors, the time period is ten years.

The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only have to have been entered into any time on or before the day when the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person. It will only be necessary to satisfy the court that there was a breach on the balance of probabilities. There is no time limit on when the transaction occurred.

Unreasonable payments to directors

Liquidators have the power to reclaim "unreasonable payments" made to directors by companies prior to liquidation. The provision relates to transactions made to, on behalf of, or for the benefit of, a director or close associate of a director. To fall within the scope of the section, the transaction must have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges are voidable by a liquidator:

- Circulating security interest created with six months of the liquidation unless it secures a subsequent advance;
- Unregistered charges; and
- Charges in favour of related parties who attempt to enforce the charge within 6 months of its creation.

Insolvent Trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they actually did so expect;
- they did not take part in management for illness or some other good reason; or,
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

Appendix H – List of transferring creditors

CREDITOR NAME	TOTAL
AMAYA PTY LTD	9,070.11
ANTHONY'S MANUFACTURING JEWELLERS	1,699.50
API SERVICES AD SOLUTIONS PTY LTD	1,277.71
ARNA SETTERS & JEWELLERY	1,743.50
CAPITOL JEWELLERS	1,294.70
CHUBB FIRE & SECURITY LTD	8,539.86
CITIZEN WATCHES	246,224.47
CITIZEN WATCHES (AUST) PTY LTD	1,935.36
COMPUTER CALL AUSTRALIA	379.50
DAVIES LAWYERS PTY LTD	9,989.60
DIAMONDLINE JEWELLERY	440.00
ENDORSED CARRIERS & STORERS PTY LTD	2,068.00
EVAN HISCOCK	3,026.00
FOSSIL AUSTRALIA	208,447.02
INSTYLE WATCHES	61,680.00
MAINFREIGHT INTERNATIONAL PTY LTD	19,588.43
MICHAEL TINK	903.00
OFFICE MAX	5,933.18
ONTHENET P/L	448.44
ORO AFRICA	1,856.82
OZISP PTY LTD	4,918.45
P A EDWARDS PTY LTD.	713.90
R.J SCANLAN AND CO PTY LTD	12,333.72
RAINBOW JEWELLERS	11,000.55
RITEQ PTY LTD	1,636.80
SATO AUSTRALIA PTY LTD	12,049.40
SEIKO AUSTRALIA	254,962.69
SEIKO AUSTRALIA P/L - REPAIRS	579.95
SHOUT WEB STRATEGY	15,087.00
SHRIRO	58,788.18
SHRIRO AUSTRALIA P/L (REPAIRS)	77.00
STYLEPRINT PTY LTD	16,441.70
SUASHISH JEWELS	268.75
TARA (HONG KONG) LTD	1,051,206.12
TARA JEWELS	5,245,232.93
TARA JEWELS	124,415.89
TIME ESSENTIALS PTY LTD	14,107.70
UNEIK JEWELLERY	594.55
UNIWARE	34,457.69
UNO A ERRE	5,430.00
URBAN MAINTENANCE SYSTEMS	4,952.73
WAH CHEONG	39,700.66
WELLCOM GROUP LTD	14,927.00
	<hr/> \$7,510,428.56 <hr/>