Bardot Pty Ltd
(Administrators Appointed)
ACN 074 147 434

Voluntary Administrators' Report

17 March 2020

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Glossary of terms

Term	Description
ACN	Australian Company Number
Act	Corporations Act 2001
Administrators	Ryan Eagle and Brendan Richards
APAAP	All present and after-acquired property – no exceptions
Appointment Date	The date of appointment of the Voluntary Administrators, being 28 November 2019.
ARITA	Australian Restructuring, Insolvency & Turnaround Association
ASIC	Australian Securities & Investments Commission
Assumed Liability	Means all liabilities or obligations owed by the Company in whatever capacity and whether actual, prospective or contingent and whether or not ascertained, arising out of or in connection with the conduct of the business of the Company, or the ownership or use of the Company's assets, on and from the date on which the DOCA is executed.
ATO	Australian Taxation Office
Bardot	Bardot Pty Ltd (Administrators Appointed)
c.	Circa
CEO	Basil Artermides
Code	ARITA Code of Professional Practice
COI	Committee of Inspection
Claim	Means a claim, demand, debt, action, proceeding, suit, cost, charge, expense, damage, loss and other liability.
Company	Bardot Pty Ltd (Administrators Appointed)
Completion	Means effectuation of the DOCA in accordance with its terms, to occur once the Deed Administrators have transferred all of the Available Property to the Creditors' Trust.
Creditor	Means a person who has a debt payable, or Claim against, the Company, whether present or future, certain or contingent, ascertained or sounding only in damages, the circumstances giving rise to which occurred on or before the Appointment Date.
Creditors' Claim	Means in relation to a Creditor, the Creditor's debt payable by, or Claim against, the Company, whether present or future, certain or contingence, ascertained or sounding only in damages, the circumstances giving rise to which occurred on or before the Appointment Date.
Director	Koula (Carol) Skoufi
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities, pursuant to s436DA of the Act and Code.
DOCA	Deed of Company Arrangement
EBITDA	Earnings before income tax, depreciation and amortisation
ERV	Estimated Realisable Value

Term	Description
EOM	End of month
FEG	Fair Entitlements Guarantee
First Meeting	First meeting of creditors held on 10 December 2019
FY	Financial year
FY17	1 July 2016 to 30 June 2017 (12 months)
FY18	1 July 2017 to 30 June 2018 (12 months)
FY19	1 July 2018 to 30 June 2019 (12 months)
Group	Skoop Pty Ltd ATF Carol Investment Trust Artemides Holdings Pty Ltd ATF Brigitte Trust Bardot Pty Ltd Bardot International Pty Ltd
IM	Information Memorandum
IPR	Insolvency Practice Rules (Corporations) 2016
NAB	National Australia Bank Limited
Outstanding Purchase Orders	Means any outstanding purchase orders for such stock for which payment has not been made as at the date on which is the DOCA executed.
Participating Creditors	Means all creditors except the Class C Creditors.
Participating Creditors' Claims	Means in relation to a Participating Creditor, the participating creditor's debt payable by, or Claim against, the Company, whether present or future, certain or contingent, ascertained or sounding only in damages, the circumstances giving rise to which occurred on or before the appointment date.
PMSI	Purchase Money Security Interest
PPSA	Personal Property Securities Act 2009 (Cth)
PPSR	Personal Property Securities Register
POD	Proof of Debt
Priority Creditor	Means a creditor with a debt payable by, or Claim against, the Company as at the appointment date which, had the Company been wound up (the appointment date being the day on which the winding up was taken to have begun), would have been a debt or claim which must be paid in priority to all other unsecured debts or claims in accordance with Section 556, Section 560 or Section 561 of the Act.
Priority Creditors' Claim	Means in relation to a priority creditor, the priority creditor's debt payable by, or claim against the Company as at the appointment date which, has the Company been wound up (the appointment date being the day on which the winding up was taken to have begun), would have been a debt or claim which must be paid in priority to all other unsecured debts or claims in accordance with Section 556, Section 560 or Section 561 of the Act.
Property	Has the meaning given to it in Section 9 of the Act.

Term	Description
ROCAP	Report on Company Activities and Property
Report	This report, prepared pursuant to IPR 75-225 and Section 438A of the Act
ROT	Retention of Title
Second Meeting	Second meeting held pursuant to IPR 75-225 and Section 439A of the Act, where creditors determine the future of the Company.
SCG	Superannuation guarantee charge
Stock Realisation Proceeds	The proceeds of realisation of stock which is in transit as at the date on which the DOCA is executed.
Sunset Date	30 September 2020, or such other date as agreed in writing between the Deed Administrators and the DOCA Proponent.
VA	Voluntary Administration
YTD FY20	1 July 2019 to 28 November 2019 (5 months)

1 Executive summary

This section addresses frequently asked questions relating to the Administration of the Company including a summary of the estimated outcome for creditors. Full details are available throughout this Report.

Question	
What does the Company do?	The Company operates as a retailer and wholesaler of women's and children's fashion. On appointment, the Company operated 72 stores, as follows: – 56 stores (Bardot) – 16 stores (Bardot Junior) The Company also had an online retail presence.
What is the purpose of this Report?	The purpose of this Report is to table the findings of our investigations of the Company's business, property, affairs and financial circumstances, as well as our opinion on the three options available to creditors in deciding the future of the Company at the Second Meeting of Creditors.
What is the current status of the Company?	On 28 November 2019, Ryan Eagle and Brendan Richards were appointed as joint and several Administrators of the Company by its Director under Section 436A of the Act. The Company is currently in Voluntary Administration.
Who is in control of the Company?	On appointment, the Administrators assumed control of the Company's operations and notified employees, creditors and other stakeholders of their appointment. The Administrators then conducted an urgent financial and commercial review of the Company with the assistance of key personnel and communications with key stakeholders including customers and suppliers. The Administrators have: – Continued to trade the Company's business, including conducting inventory realisation and store rationalisation programs, whilst preserving sale / recapitalisation options; – Obtained support of landlords and suppliers to allow the Company to continue to trade during the Administration period; – Conducted a comprehensive sale / recapitalisation campaign for the Company's business; – Attended to all statutory lodgements and notifications arising from the appointment of Administrations; and – Undertaken preliminary investigations into the affairs of the Company and the reasons for its failure.
What is the ownership structure of the Company?	Bardot is wholly owned by Skoop Pty Ltd ATF Carol Investment Trust, a company registered in Victoria (based on an ASIC company search of Bardot Pty Ltd). Koula Skoufi is the sole Director of both Bardot Pty Ltd and Skoop Pty Ltd ATF Carol Investment Trust. Refer to **Section 3** for further information.

Question	
What does the Director consider to be the underlying causes of the Company's failure?	The Director of the Company provided the Administrators with the following reasons for its failure: – Poor retail trading environment; and – High rental costs.
What do the Administrators consider were the underlying causes of the Company failure?	The Administrators consider the reasons the Company failed include: – Strategic failure in seeking to compete within new markets; – Entrance by opening new stores; – Reducing price point and consequential reliance on volume to compete for low margin and moderate gross profit; – Difficult retail trading environment in both 'bricks and mortar' stores and online retail; – Rising fixed costs, predominantly property rentals; – Failure to raise capital, either via debt or equity; and – Inadequate controls around inventory purchasing and ongoing inventory management.
When do the Administrators consider the Company became insolvent?	It is our preliminary view that the Company was likely to have become insolvent on or around 31 March 2019 or at the latest, 30 June 2019. This is discussed in more detail in **Section 8.**
What was the outcome of the sale of business process?	The Administrators engaged Deloitte Capital Finance to run a comprehensive sale of business / recapitalisation campaign. However, no commercial offers were received during this process. Deloitte had previously been engaged in the recapitalisation process prior to the appointment of Voluntary Administrators on 28 November 2019. The Director (Koula Skoufi) has put forth a proposal for a DOCA, which would see the Company continue to trade (in a reduced capacity) and a number of employee positions preserved. The DOCA proposal is discussed further in **Section 7**.
What are the key terms of the proposed DOCA?	A DOCA proposal has been received from the Director of the Company. The DOCA proposal provides for: – The DOCA proponent to provide funding in an amount not less than $2.15m; – Surplus trading funds realised during the voluntary administration and debtor realisations to be made available to creditors; – The continued operation of 13 of the Company's retail stores; – Continued employment for 43 head office employees plus 200 store level employees; – Priority creditors to the extent of the priority creditors' claims be repaid in full; and – Control of the Company to be assigned to the Director. The DOCA proposal is discussed further in **Section 7**.

Question	
What is the purpose of the Second Meeting of Creditors?	To resolve the future of the Company. The options available include whether: – The Company execute a DOCA; – The Administration should end; or – The Company be wound up. In the event that creditors resolve that the Administration should end, control of the Company will revert to the Director.
What is the estimated return to creditors?	Under the **proposed DOCA**, creditors are expected to receive the following dividends:

Creditor class (Proposed DOCA)	Estimated dividend rate (cents in the $)
Priority employees	100c/$
Secured	50c/$ - 38c/$
Unsecured	<1c/$
Related party	<1c/$

The above dividend rates are estimates only. The final rate will be dependent on a number of factors. Please refer to **Section 10** for further information.

In a liquidation, we estimate that there will be no return to unsecured creditors, as detailed below:

Creditor class (Liquidation)	Estimated dividend rate (cents in the $)
Priority employees	100c/$
Secured	26c/$ - 8c/$
Unsecured	-
Related party	-

Please refer to **Section 10** for further information.

What are the advantages and disadvantages of the DOCA vs liquidation

Advantages:

– The business (in a reduced capacity) would continue as a going concern;
– Ongoing employment for 43 head office employees plus 200 store level staff that would otherwise be made redundant in a liquidation; and
– A greater return to creditors than liquidation.

Disadvantages:

– No recoveries from any possible insolvent trading or other voidable transactions actions, such as preferential payments or unreasonable director-related transactions.

Question	
What claims could a liquidator investigate?	Our preliminary investigations have identified: – A potential insolvent trading claim between c.$7m to $13m; – Potential unfair preference claims of c.$1,3m; and – Potential voidable transactions of c.$2.4m. There is material uncertainty and risk regarding the likelihood of any recoveries in a liquidation scenario. The pursuit of antecedent transactions may involve litigation and any decision to commence litigation would require assessment by a liquidator of: – The costs of litigation and the uncertainty of success in any complex litigation; – Hurdles in commencing claims against those based in foreign jurisdictions; and – The capacity of the defendants to meet a claim for compensation. The prospects of recovery are uncertain. The investigations undertaken to date in the Administration are detailed at **Section 8** of this report.
What do the Administrators recommend creditors should do?	The Company's Director has proposed a DOCA which provides for a cash contribution, ongoing employment for 243 employees, 13 stores to remain open and a greater return to creditors than a Liquidation of the Company. **We are of the opinion that creditors should accept the proposed DOCA** Please refer to **Section 10** for further on the Administrators' recommendation.
Where can I get more information?	If you require any further information, please see the KPMG website and/or contact the following: **Creditor Queries** Phone: +61 3 8626 0959 E-mail: bardotcreditors@kpmg.com.au **Employee Queries** Phone: +61 3 8626 0959 E-mail: bardotemployees@kpmg.com.au

2 Introduction

This section provides information on the Administration process, the objectives of the Administration, the purpose of this Report, details of meetings of creditors and a summary of the Administrators' remuneration.

Key takeaways	
1	The purpose of this Report is to summarise the investigations undertaken by the Administrators and to outline options available for the future of the Company.
2	The First Meeting of Creditors was held on 10 December 2019.
3	Creditors will vote on the future of the Company at the Second meeting of Creditors, to be held at **11:00am (AEDT)** on **Wednesday, 25 March 2020** at Level 36, Tower Two, Collins Square, 727 Collins Square, Melbourne VIC 3008.

2.1 Appointment of Voluntary Administrators

On 28 November 2019, Ryan Eagle and Brendan Richards were appointed as joint and several Administrators of the Company by the Director under Section 436A of the Act. Section 436A of the Act prescribes that a company may, by writing, appoint an Administrator if the director/s have resolved to the effect that, in the opinion of the director/s voting, the company is insolvent, or is likely to become insolvent at some future time and an Administrator of the company should be appointed.

The Administrators, both registered liquidators, consented, prior to their appointment, to act as Administrators of the Company.

2.2 Objective of voluntary administration

In a voluntary administration, Administrators are empowered by the Act to assume control of an insolvent company, superseding the powers of the Directors and Officers, to manage the company's affairs and deal with its assets in the interests of its creditors.

The intention of a voluntary administration is to maximise the prospects of a company continuing in existence or, if that is not possible, to achieve better returns to creditors than would be achieved by its immediate liquidation. During a voluntary administration there is a moratorium over most pre-administration creditor claims.

Administrators are also required to investigate the Company's affairs and report to creditors on the Administrators' opinion as to which outcome of the voluntary administration process is in the creditors' best interest, informing the creditors prior to their voting at the Second Meeting (please see **Section 2.7** for further details).

2.3 Purpose and basis of this report

IPR 75-225 requires a voluntary administrator to provide a report (the **Voluntary Administrator's Report** or this **Report**) to all creditors ahead of the Second Meeting, outlining:

- Details regarding the business, property, affairs and financial circumstances of the entity under administration;
- The Administrator's opinion and recommendation on each of the options available to creditors; and
- If a DOCA is proposed, the details of the DOCA.

This Report also informs creditors about the preliminary investigations undertaken by the Administrators to date. Accordingly, the views formed in this Report are not final and may be subject to change. Any additional material issues that are identified after this Report may be subject to a further written report and/or tabled at the forthcoming Second Meeting.

This Report has been prepared primarily from information obtained from the Company's books and records and discussions with the Director and key management personnel. Although the Administrators have conducted certain

investigations of the affairs of the Company, there may be matters which we are unaware of as an audit of the Company has not been undertaken.

In order to complete our Report, we have utilised information from:

- ASIC;
- PPSR;
- The Company's book and records;
- Discussions with the Director and CEO of the Company;
- Discussions with key employees of the Company;
- Discussions with creditors of the Company; and
- Other public databases.

2.4 Context of this Report

This Report is based on our preliminary investigations to date. Any additional material issues that are identified subsequent to the issue of this Report may be the subject of a further written report and/or tabled at the forthcoming Second Meeting.

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. We reserve the right to alter any conclusions reached based on any changed or additional information which may be provided to us between the date of this Report and the date of the Second Meeting (except where otherwise stated).

In considering the options available to creditors and formulating our opinion and recommendation, we have necessarily made forecasts of asset realisations and total creditors' claims based on our best assessment in the circumstances. These forecasts and estimates may change as asset realisations progress and we receive creditor claims and consequently the outcome for creditors might differ from the information provided in this Report.

Creditors should consider seeking their own independent legal advice as to their rights and the options available to them at the Second Meeting.

2.5 Declaration of independence, relevant relationships and indemnities

In accordance with Section 436DA of the Act and the Code, a declaration of independence, relevant relationships and indemnities (**DIRRI**) was enclosed with the Administrators' first communication to creditors dated 29 November 2019 (and tabled at the First Meetings of Creditors held on 10 December 2019).

The DIRRI disclosed information regarding the Administrators' independence, prior personal or professional relationships with the Company or related parties and any indemnities received in relation to the appointment. This assessment identified no real or potential risks to the Administrators' independence.

There has been no change in the declaration since that time.

2.6 First Meeting of Creditors and Committee of Inspection

Section 436E of the Act requires the Administrators to convene the First Meeting of Creditors within eight business days of being appointed.

The First Meeting of Creditors of the Company was held on 10 December 2019 at which the Administrators' appointment was confirmed.

Creditors resolved at the First Meeting of Creditors to appoint a committee of inspection (**COI**) with the following members:

Name	Nominated by
Mr. Yang Sun	M.S. International Co. Ltd
Ms. Heather Crust	Mittica Pty Ltd (Trading as VIP Lighting)
Mr. Xu Hui	Hang Zhou Wantong Trading Co. Ltd
Mr. Lin Kai	Shangai Zhongzhi Garments Co. Ltd
Ms. Simone Harb	Bardot Employees

The Administrators determined there were no requirements to hold a COI meeting during the Administration. As such, no COI meeting have been held.

2.7 Second Meeting of Creditors

Based on the statutory timetable of a voluntary administration, the Second Meeting was required to be held on 6 January 2020.

The Administrators made an application to the Supreme Court of Victoria for an extension of the convening period pursuant to Section 439A(6) and Section 447A(1) of the Act. The Court made orders on 11 December 2019 which, amongst other things, extended the date by which the Administrators were required to convene the Second Meeting to 27 March 2020.

The Administrators considered the extension necessary to allow sufficient time for the Administrators to:

- Explore the possibility of achieving a sale of the Company's business and/or for a DOCA to be proposed; and
- If a sale of the Company's business did not eventuate and a DOCA was not proposed, the extension to the convening period would provide the Administrators time to conclude trading the Company's business in order to realise the stock on hand in an orderly manner, thereby maximising returns to creditors.

Pursuant to Section 75-225 of the Insolvency Practice Rules, the Second Meeting is convened for 11:00am (AEDT) on 25 March 2020 at Level 36, Tower Two, Collins Square, 727 Collins Square, Melbourne VIC 3008.

In light of the ongoing COVD-19 pandemic and to ensure the health & safety of all stakeholders, it is the Administrators' intention the meeting of creditors be held as a 'digital meeting'.

Teleconference and video conference facilities will be available for creditors wishing to attend the meeting of creditors.

Whilst creditors will still be afforded the opportunity to attend the meeting physically, this is not encouraged by the Administrators, due to health & safety concerns.

Please contact by email at bardotcreditors@kpmg.com.au at least one business day prior to the meeting to advise that you will be using the teleconference or video conference facilities and to be provided with the relevant access details.

At the Second Meeting, creditors will decide the Company's future by voting on one of the following options:

- That the administration of the Company should end (in this case control of the Company will revert to the Director); or
- That the Company should be wound up; or
- That the Company execute a DOCA.

The Notice of Meeting of Creditors is attached (**Annexure B**) along with an appointment of proxy form (**Annexure C**) and a proof of debt or claim form (**Annexure D**).

All creditors are entitled to attend the Second Meeting. Creditors who wish to participate in the Second Meeting must complete and submit the following forms to this office by **4:00pm (AEDT)** on **24 March 2020**.

Form	Comments
Appointment of proxy (form 532)	- Corporate creditors must appoint an individual to act on its behalf. - Please note that proxy forms submitted for the First Meeting are not valid for the Second Meeting. A new proxy form must be submitted. - Individuals voting in person are not required to complete this form but must complete this form if a representative is appointed to vote on their behalf.
Informal Proof of debt	- Creditors must submit documentation to support the amount they have claimed (i.e. unpaid invoices, payslips). - **Creditors who have already submitted a proof of debt are not required to resubmit a proof of debt form unless the amount claimed has changed.**

2.8 Remuneration

An Administrator's remuneration can only be fixed by resolution of a COI, the Company's creditors, or by application to the Court. In accordance with IPR 70-35 and the Code, an Initial Remuneration Notice was provided to creditors with our initial communication dated 29 November 2019 and tabled at the First Meeting of Creditors held on 10 December 2019.

ARITA has issued an "Approving remuneration in external administrations" information sheet providing general information for creditors on the approval of an administrator's fees in a liquidation, a voluntary administration or a DOCA.

This information sheet is available from the ARITA website (www.arita.com.au).

A summary of remuneration we will be seeking approval for at the Second Meeting of Creditors is as follows:

Remuneration period	Amount ($ ex GST)
Remuneration to be approved at Second Meeting of Creditors	
Voluntary Administration – 28 November 2019 to 29 February 2020	2,200,817
Voluntary Administration – 1 March 2020 to 25 March 2020	342,000
Voluntary Administration -25 March 2020 to execution of DOCA (if applicable)	364,000
Estimated total remuneration – Voluntary Administration	**2,906,817**
DOCA (if applicable) – Execution of DOCA to creation of Creditors' Trust	420,000
Creditors' Trust (if applicable) – Creation Creditors' Trust to completion	80,000
Estimated total remuneration – DOCA & Creditors' Trust	**500,000**
Liquidation (if applicable) -25 March 2020 to finalisation	620,000
Estimated total remuneration – Liquidation	**620,000**

Please refer to our Remuneration Approval Request at **Annexure E** for details of the key tasks undertaken throughout the course of the administration to date.

2.9 Non-disclosure of certain information

There are sections of this Report where we have considered it inappropriate to disclose certain information to creditors. Such information includes:

– Valuations of specific assets;
– Valuation of the business;
– Details of offers received during the sale process; and
– Commercially sensitive prospective financial information (for example, projections / forecasts).

We recognise the need, so far as is possible, to provide creditors with complete disclosure of all necessary information relating to the Company. However, we believe this information is commercially sensitive and it is not in creditors' interests for us to disclose the information publicly at this stage.

Where necessary in this Report, we provide a combined figure for potential realisations of assets when comparing estimated dividends under the relevant options.

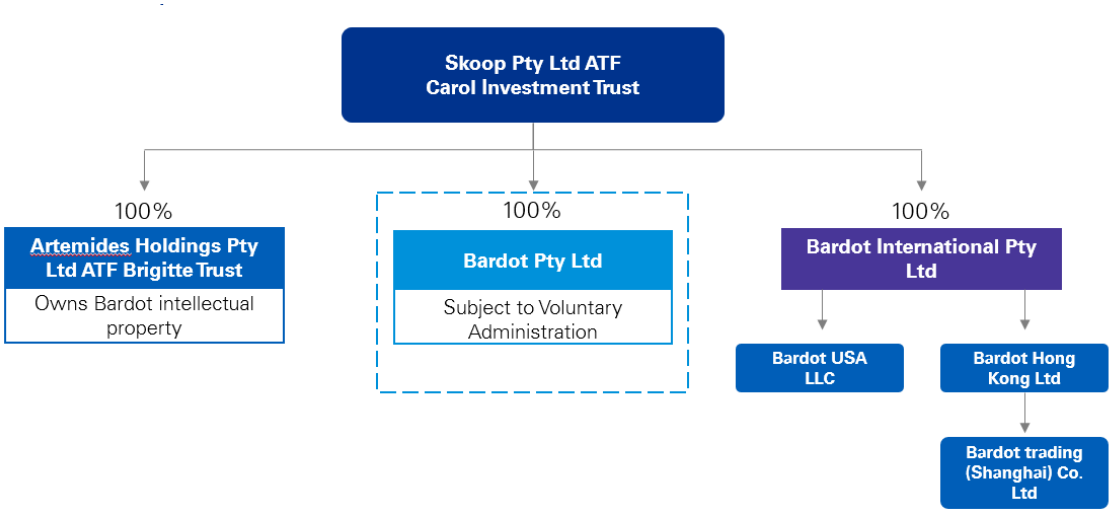
3 Company information

This section provides creditors with information on the history of the Company and the circumstances leading up to the appointment of Administrators together with details of related entities including statutory information, and an overview of the operating businesses.

Key takeaways	
1	The Company is an Australian retailer and wholesaler of women's wear (Bardot) and children's wear (Bardot Junior), which opened its first store in Melbourne in 1996.
2	The Company is headquartered in Melbourne, operated 72 stores across Australia and employed 815 people at the date of appointment.
3	On 28 November 2019, the Company's Director appointed Voluntary Administrators pursuant to section 436A of the Corporations Act.

3.1 Group structure

A summary of the corporate structure for the subsidiaries of Skoop Pty Ltd ATF Carol Investment Trust ("**the Group**") is below:



Source: ASIC

Key points to note in relation to the corporate structure are:

Entity	Role within group
Skoop Pty Ltd ATF Carol Investment Trust	- 100% shareholder of Bardot Pty Ltd - Sole director is Koula Skoufi
Bardot Pty Ltd	- Main trading entity of the Group including retail stores, wholesale and online - Employs all staff - Lessee of the premises - Owner of the plant, property and equipment

Artemides Holdings Pty Ltd ATF Brigitte Trust	- Holds the Group's intellectual property - Not subject to the Voluntary Administration
Bardot International Pty Ltd	- 100% shareholder of Bardot Hong Kong Ltd - Entity is currently inactive and was established with the intention to operate a licence agreement for Bardot Hong Kong Ltd - Not subject to the Voluntary Administration

3.2 Company history and events leading up to the administration

The below table summarises key events in the Company's history:

Date	Event
1996	Business founded by Koula (Carol) Skoufi and Tamara Mond as Camara Clothing Pty Ltd. Opened first store in Melbourne.
1999	Business rebranded to Bardot, Koula (Carol) Skoufi became 100% owner.
2000	Basil Artemides became the CEO of Bardot Pty Ltd.
2004	Bardot Junior is launched. Bardot expands into NSW, SA, QLD and WA.
2008	Launched first online retail store.
2009	Bardot opened its 40th store in Australia.
May 2019	Bardot Pty Ltd engaged Deloitte to assist with facilitating a capital raising program.
October 2019	No commercial offers received from the Deloitte capital raising transaction.
November 2019	Bardot Pty Ltd placed in Voluntary Administration pursuant to Section 439A of the Corporations Act.

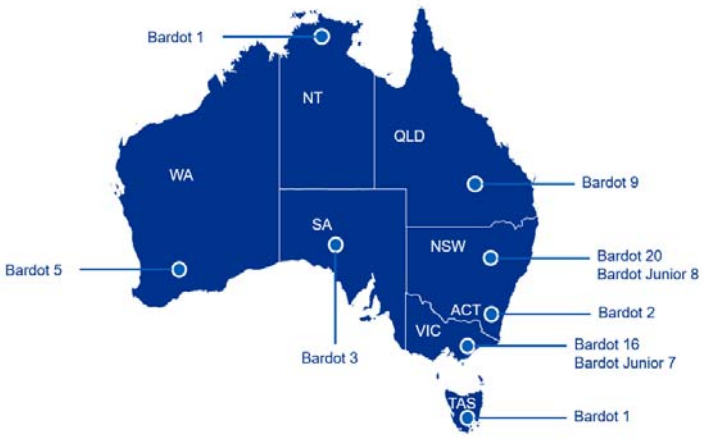
Source: Project Kooyong Information Memorandum June 2019

3.3 Business operations

We note the following in relation to the operation of the Company's business:

- The Company sold the following brands:
  - Bardot (women's wear); and
  - Bardot Junior (children's wear).
- The Company operated as a fashion retailer with 72 retails store nationally, in addition to an online retail platform;
- The intellectual property of the Group is owned by Artemides Holdings Pty Ltd ATF Brigitte Trust which is not subject to the Voluntary Administration;
- Operated as a wholesaler for women's and children's fashion, both domestically & internationally;
- The Company's operated a head office in Abbotsford, Victoria; and
- The Company employed approximately 815 staff at the date of appointment of Administrators.

The below diagram details the 72 retails store across Australia that the Company operated as at the date of appointment of Administrators:



Source: Bardot store listing as at 28 November 2019

3.4 Statutory information

Statutory details for the Company extracted from ASIC's national database at the time of our appointment are summarised below:

Bardot Pty Ltd	
ACN	074 147 434
Incorporation date	27 May 1996
Registered address / principal place of business	57-63 Victoria Crescent, Abbotsford VIC 3067

Source: ASIC

The Company's officers over the past 3 years were:

Name	Role	Appointment date	Resignation date
Koula Skoufi	Director	30/05/1996	Current
Koula Skoufi	Secretary	30/11/2000	Current

Source: ASIC and Annual Report

The ASIC database discloses the Company's shareholder to be:

Registered Owner	Shares held	Description	Fully paid	% Issued Capital
Skoop Pty Ltd	100	ORD	Yes	100

Source: ASIC

3.5 Registered security interests

The PPSR discloses that 14 parties hold registered security interests on the PPSR. We understand that the majority of the security interests relate to either financed equipment or the supply of inventory.

Details of the security interest holders are set out below:

Secured Creditor	Collateral Class	Number of Registrations
Gispac Pty Ltd	Other Goods	2
Island Pacific Australia Pty Ltd	Other Goods	2
Fuji Xerox Finance Limited / Fuji Xerox Australia Pty Ltd	Other Goods	2
Stockland Trust Management Limited	Other Goods	2
Jasco Pty Ltd	Other Goods	1
Omni Pty Ltd	Other Goods	2
Winc Australia Pty Limited	Other Goods	1
Quest Payment Systems Pty Ltd	Other Goods	1
Beesknees Imports Pty Ltd	Other Goods	1
Data#3 Limited	Other Goods	1
Windsor Smith Pty. Limited / Chicago Boot Company Pty. Ltd	Other Goods	1
National Australia Bank Ltd	APAAP	47
Pool Systems Pty Ltd	Other Goods	1
Basart Pty Ltd	Other Goods	1
Total		**65**

Source: PPSR searches undertaken on Company name, ABN and ACN.

Immediately on appointment the Administrators wrote to all creditors registered on the PPSR requesting further information regarding their registration and the amounts due. Of the registrations:

- The National Australia Bank Limited holds a charge over the whole or substantially the whole of the property of the Company;
- The Administrators have received 3 notices of discharge relating to claims registered on the PPSR;
- The Administrators have been informed by 2 secured creditors advising that their claims on the PPSR are not valid or could not be identified, however notices of discharge relating to claims registered on the PPSR have not been provided. The Administrators have requested these registrations be removed from the PPSR; and
- The Administrators have written to the PPSR registrar requesting the removal of 1 additional registration due to the secured party being deregistered.

The Administrators are currently reviewing the information received to date to determine the validity of the claims and continue to work with the relevant secured parties to finalise their claims.

While the Administrators may continue to use/sell the stock held by the Company in the ordinary course of business, the proceeds from the stock sold during the voluntary administration period will be held to deal with any valid PMSI claims or, alternatively, suppliers will be able to collect inventory if not required. The Administrators are taking all appropriate steps to protect suppliers' rights until these issues are resolved.

Further details of the registered security interests are available to creditors on request.

3.6 Winding up applications

At the date of our appointment, there were no outstanding winding up applications against the Company.

4 Historical financial position

This section provides a summary of the financial performance of the Company during the period of FY18, FY19 and YTD FY20.

Key takeaways	
1	The Company incurred losses totalling c.$29m across the period under review.
2	Bardot has had a net asset deficiency position for the entire period under review.
3	The Company's auditors in FY18 expressed an opinion that material uncertainty exists that may cause significant doubt on the Company's ability to continue as a going concern. The financials were not finalised or audited in subsequent periods.

4.1 Preparation of financial statements

The Company's financial statements were prepared (and audited by Deloitte) up to 30 June 2018.

The Company also prepared monthly management reports, cash flows, budgets and variance reports. The management accounts have been used in our analysis for FY19 and YTD FY20 (28 November 2019).

4.2 Summary profit and loss

A summary of the Company's profit and loss statements is presented below:

$'000	FY18	FY19	YTD FY20
Revenue	123,447	107,890	36,756
Other income	899	320	-
Total Income	124,346	108,210	36,756
Operating costs			
Raw material and inventory purchased	(55,987)	(53,001)	(18,990)
Employee benefits expense	(37,373)	(31,533)	(11,364)
Depreciation and amortisation	(7,702)	(2,951)	(1,000)
Impairment of property, plant and equipment	(6,063)	-	-
Occupancy costs	(26,242)	(19,470)	(6,279)
Marketing expenses	(1,369)	(1,236)	(547)
Royalty expenses	(500)	(137)	(42)
Other expenses	(6,361)	(5,814)	(2,290)
Finance costs	(527)	-	-
Total operating costs	(142,124)	(114,142)	(40,512)
Net profit / (loss) for period before income tax	(17,778)	(5,932)	(3,756)
Unrealised gain / (loss)	-	(709)	162
Interest received / paid	-	(601)	(250)
Income tax (expense) / benefit	(605)	-	-
Net profit / (loss) for the period	**(18,383)**	**(7,242)**	**(3,844)**
Key Metrics			
Gross Margin %	55%	51%	48%
Number of stores	94	78	72
Occupancy costs (% of sales)	21%	18%	17%

Source: Audited Financial Statement FY18, Management Accounts FY19 and YTD FY20

Key observations:

- Revenue between FY18 and FY19 declined by c. 13%, from $123m in FY18 to $107m in FY19.
- Gross margin percentage declined from 55% in FY18 to 38% in YTD FY20.
- Employee benefits expense declined by c. 15% from $37.3m in FY18 to $31.5m FY19. This decrease was largely driven by the closure of unprofitable stores during FY19.
- The Company incurred an impairment expense in FY18 of c. $6.3m which related primarily to plant and equipment (fixtures and fittings).
- Occupancy costs declined by c. 25% from $26.2m in FY18 to $19.7m in FY19, as a result of the Company downsizing operations, closing six unprofitable stores and achieving rental reductions and abatements from landlords.
- Royalty expenses related to payments made in accordance with the commercial agreements between the Company and Artemides Holdings Pty Ltd ATF Brigitte Trust, which owns the intellectual property of the Group. The commerciality of these agreements is investigated further at **Section 10**.

4.3 Summary balance sheet

A summary of the Company's balance sheet is presented below:

$'000	30 June 2018	30 June 2019	28 November 2019
Current assets			
Cash and cash equivalents	1,180	127	480
Trade and other receivables	3,148	4,442	6,427
Inventories	18,812	12,529	12,231
Other current assets	252	1,893	1,896
Other financial assets	4	-	-
Total current assets	23,396	18,991	21,034
Non-current assets			
Plant and equipment	5,451	3,912	2,475
Intangible assets	634	507	1,473
Trade and other receivables	651	45	45
Deferred tax assets	3,518	3,518	3,518
Total non-current assets	10,254	7,982	7,511
Total assets	**33,650**	**26,973**	**28,545**
Current liabilities			
Trade and other payables	26,047	26,833	32,948
Non-related party borrowings	9,302	12,176	11,779
Related party borrowings	-	1,000	1,000
Provisions	1,687	1,475	1,403
Total current liabilities	37,036	41,484	47,130
Non-current liabilities			
Trade and other payables	4,147	-	-
Provisions	68	89	102
Hire purchase liabilities	-	243	-
Deferred tax liabilities	335	335	335
Total non-current liabilities	4,550	667	437
Total liabilities	**41,586**	**42,151**	**47,567**
Net assets	**(7,936)**	**(15,178)**	**(19,022)**
Equity			
Contributed equity	0.1	0.1	0.1
(Deficit) / Retained earnings	(7,936)	(15,178)	(19,022)
Total equity	**(7,936)**	**(15,178)**	**(19,022)**

Source: Audited Financial Statement FY18, Management Accounts FY19 and YTD FY20

Key observations:

- Trade and other receivables increased by c. 51% from $3.1m in FY18 to $6.4m YTD FY20. This increase can be largely attributed to the growth in the wholesale business during the period.
- The book value of plant and equipment decreased by c. 54% from $5.4m in FY18 to $2.4m in YTD FY20. This decrease was largely driven by the Company's impairment of fixtures and fittings in FY18, in addition to the closure of stores in FY19.
- Deferred tax assets relate to carried forward losses from previous financial years.
- Trade and other payables increased by c. 20% from $26m in FY18 to $32.9m in YTD FY20.
- Non-related party borrowing increased by 21% from FY18 to YTD FY20. This increase was due to the Company securing additional funding of $3m in January 2019 from the NAB.

5 Report on company activities and property and Director's reasons for failure

This section provides a summary of the report on company activities and property submitted by the Director, together with the Director's explanation for failure of the Company.

Key takeaways	
1	The Director has estimated a net asset deficiency of c. $28.7m.

5.1 Report on company activities and property (ROCAP)

Section 438B of the Act requires the Director to give the Administrators a ROCAP about the Company's business, property, affairs and financial circumstances.

Due to the volume of information required to be provided, we granted an extension until 19 December 2019 for the Director to submit the ROCAP. We subsequently received the completed ROCAP on 19 December 2019.

The Administrators have not audited the Company's records or the book values. The below schedule should not be used to determine the likely return to creditors as a number of realisable values are based on the Company's records and remain subject to the review of the Administrators and, in particular:

- The Administrators are not in a position to confirm (or otherwise) certain asset values as they are commercially sensitive and are not disclosed in this report.
- The value of creditor claims remains subject to change as further claims may be received and require adjudication.
- The table below does not provide for possible trading losses or professional costs associated with the administration process.

The Administrators' further comments with respect to the assets and claims by creditor classes are set out in the Administrators estimated outcome for creditor at **Section 10** of this report.

The following table summarises the assets and liabilities disclosed in the Director's ROCAP:

Summary of Director's ROCAP				
$'000	Ref	Book Value	Administrators' ERV Low	Administrators' ERV High
Assets				
Cash at bank	5.1.1	637	299	299
Debtors	5.1.2	6,852	3,682	3,847
Inventory	5.1.3	13,416	13,416	13,416
Plant and equipment	5.1.4	2,475	100	150
Total assets		**23,380**	**17,497**	**17,712**
Liabilities				
Secured creditors	5.1.5	15,300	15,776	15,776
Employees' claims	5.1.6	1,478	3,052	3,052
Unsecured creditors	5.1.7	35,364	27,279	38,104
Contingent claims	5.1.8	-	TBC	TBC
Total liabilities		**52,142**	**46,107**	**56,932**
Estimated surplus / deficiency		**(28,762)**	**(28,610)**	**(39,220)**

Notes

5.1.1 Cash

A summary of the bank account balances as at the date of the appointment of Administrators are as follows:

Cash at bank balances		
Account	**Currency**	**Amount ($)**
NAB -Bardot BAS Saving	AUD	-
NAB - Bardot Charity	AUD	2,406
NAB - Bardot Inc Tax Saving	AUD	1
NAB - Bardot Main Trading	AUD	453,574
NAB - Bardot New Store Savings	AUD	-
NAB - Bardot Rent Payroll	AUD	27,411
NAB - Bardot Term Deposits	AUD	2,306
NAB - Bardot USD	USD	100,058
US Bank - Bardot Pty Ltd	USD	1,884
Total (AUD)		**485,698**
Total (USD)		**101,942**
Total*		**640,486**

*Based on conversion as at date of appointment of 0.65 USD to AUD.

Immediately upon appointment, we issued instructions to all Australian banks to freeze the bank accounts held in the Company's name. Based on the responses received, Bardot maintained accounts with the NAB. In addition, we notified US Bank of our appointment but did not request to freeze the account due to ongoing requirements to keep the account open for Bardot's key US customers. All of the Bardot's staff banking tokens were collected to avoid payments being made without the Administrators' approval.

Credit funds (totalling c.$299k on our appointment) were transferred to the Administrators' bank account. The variance between the amounts listed in the ROCAP and the funds collected by the Administrators relate to payments made by the Company on 28 November 2019, prior to our appointment. The Administrators' investigations have determined these payments appear to be ordinary trading payments, however further details of the Administrators' investigations are outlined at section 9 of this report.

The cash secured by the Administrators has been utilised in the trading of the business during the Administration period.

5.1.2 Debtors

The Director in the ROCAP disclosed the following outstanding debtor balances at the date of appointment:

Outstanding Debtor Balance	
Australian debtors ($AUD)	823,686
International debtors*	6,028,693
Total	**6,852,379**

*Based on conversion as at date of appointment of 0.65 USD to AUD.

The Administrators made an assessment of the debtors ledger immediately following appointment and contacted each of the customers.

Given the Company is continuing to trade, the ledger will be collected in the normal course and collections will be utilised to meet ongoing trading costs. Net debtor collections since appointment total $3,681,563 made up of $3,145,861 from international debtor collections and $535,702 from Australian debtor collections.

Further collections of $165k are anticipated by the Administrators, while the balance of the ledger has been deemed uncollectable, due to returns, deductions, rebates and settlement adjustments, which we have determined to be standard industry practice. The Administrators have also provisioned for collectability issues with some of the international debtors, given the costs of commencing recovery actions in foreign jurisdictions.

5.1.3 Inventory

On appointment, Bardot held stock with a book value (cost) of c.$13.4m as per Bardot's stock management software.

Section 6.3.3 of this report contains further details on Company's inventory and the realisation program implemented by the Administrators.

5.1.4 Plant & equipment

The plant and equipment comprises of fixed assets held at the Company's headquarters in Melbourne and each of the 72 retail stores located nationally. The Company's management accounts as at 28 November 2019 recognised plant and equipment at a value c. $2.4m.

Based on the realisation program implemented by the Administrators and Gordon Brothers, the Administrators anticipate realising between $100k and $150k from the Company's plant & equipment.

5.1.5 Secured creditor

As discussed in **Section 3.5**, a search on the PPSR confirms the NAB holds a charge over the whole or substantially the whole of the property of the Company. The amount owing under the NAB's facilities upon our appointment was c. $15m. This comprised of finance facilities and rental bond guarantees.

5.1.6 Employee claims

A breakdown of current outstanding employee entitlements, as calculated by the Administrators is detailed below:

Employee Entitlements	Amount outstanding
Wages (Salary sacrifice)	3,856
Unpaid superannuation	153,145
Superannuation on PILN	75,298
Annual leave (incl. leave loading)	746,573
Long service leave	765,378
PILN	792,614
Redundancy	1,433,212
Sub-Total	**3,970,077**
Less: excluded employee entitlements	(917,378)
Total	**3,052,699**

Employee claims are afforded priority of repayment in a liquidation pursuant to Section 556 of the Act, ahead of any return to unsecured creditors.

The Act provides that excluded employees (including Company directors and their spouses) are each restricted to a total maximum priority claim of $2,000 for unpaid wages and superannuation entitlements and $1,500 for leave entitlements. Amounts owed to excluded employees that exceed the statutory limit, and all payments owing in respect of redundancy and payment in lieu of notice will rank as an ordinary unsecured claim.

Should a DOCA be executed, employee entitlements would carry forward with liability adopted by the DOCA proponent, for those employees continuing with the Company.

Should the Company be placed into liquidation at the Second Meeting, employees may be eligible for financial assistance under the Fair Entitlements Guarantee Act 2012. Further information on FEG including eligibility for assistance can be found at www.employment.gov.au/feg.

5.1.7 Unsecured creditors

In the ROCAP, the Director recorded unsecured creditor claims totalling c. $35.3m. A summary of the unsecured creditors is below:

	Book Value	Administrators' ERV Low	Administrators' ERV High
Trade creditors	34,888,615	25,336,615	35,710,808
Statutory creditors	-	1,000,439	1,000,439
Related party creditors	475,110	475,110	475,110
Excluded employee entitlements	-	917,378	917,378
Total	**35,363,725**	**27,729,542**	**38,103,735**

As at 28 February 2020, the Administrators have received 125 proofs of debt totalling c.$25.3m. At the date of this report, the Administrators have not formally adjudicated proofs of debt.

5.1.8 Contingent liabilities

The Administrators have received a claim from Magi Enterprises Pty Ltd trading as Kookai which is contingent in nature. The claims made against the Company relates to an infringement of a registered design and a copyright infringement of a fabric print.

The claim has not yet been quantified.

As at the date of this report, no formal adjudication had been made on this contingent claim.

5.2 Omissions from ROCAP

We have not identified any material omissions from the Director's ROCAP.

5.3 Director's opinions as to the reasons for failure

The Director has provided their views on the affairs of the Company and attribute the following reasons to its failure:

- Poor retail trade; and
- Rising cost pressure in particular rental costs.

5.4 Administrators' opinions as to the reasons for failure

The Administrators consider the reasons for the Company's failure include:

- Strategic failure in seeking to compete within new markets;
- Entrance by opening new stores;
- Reducing price point and consequential reliance on volume to compete for low margin and moderate gross profit;
- Difficult retail trading environment in both 'bricks and mortar' stores and online retail;
- Rising fixed costs, predominantly property rentals;
- Failure to raise capital, either via debt or equity; and

Inadequate controls around inventory purchasing and ongoing inventory management.

6 The Administration to date and sale of business process

This section provides an overview of the conduct of the Administration, including the trading of the business and the going concern sale process.

Key takeaways	
1	The Administrators continued to trade on the business to maximise the return to the Company's creditors through an orderly inventory realisation program and to facilitate a potential sale of the business as a going concern.
2	Deloitte Corporate Finance were engaged by the Administrators to undertake a sale of business process. One verbal offer was received, however following buyer due diligence no final offer was received and the sale process was unsuccessful. Deloitte Corporate Finance had conducted a sale process prior to our appointment, the Administrators concluded that there was a benefit in continuing the process given the cost synergies as a data room had been formed, information memorandum prepared, a list of interested parties' complied and other documentation completed.
3	The Company's store network was down sized to 13 stores located in New South Wales and Victoria. 58 stores were identified for closure to maximise the prospects of the business being restructured and / or sold as a going concern. Stores are being closed in a staged / controlled process from 4 December 2019 to 15 March 2020.
4	Gordon Brothers were engaged by the Administrators to assist with the stock realisation program and progressive closure of stores.

6.1 The business at commencement of the Administration

On appointment, the Administrators assumed control of the Company's business and appropriate controls and systems were put in place with respect to cash / banking, purchase orders, stock control and reporting.

Whilst conducting an urgent assessment of the business, we continued to trade in the ordinary course. In particular, we:

- Opened new accounts with service providers, utilities and other non-stock suppliers;
- Reviewed major contracts and negotiated terms of trade with various suppliers;
- Advertised to customers the continued trading by the Administrators;
- Continued employment of staff;
- Provided updates to employees;
- Liaised with Gordon Brothers to assist with the progressive shut down of stores nationally;
- Negotiated certain payments of necessity to ensure continued supply of Company's critical services;
- Adjudicated PMSI claims;
- Conducted meetings with the Director, senior management and staff;
- Took steps to extend the convening period for the Second Meeting of Creditors to assist in preserving asset realisations;
- Prepared and maintained a rolling 'Administration' trading cash flow forecast;
- Reviewed the procedures for IT services and back up processes;
- Reviewed the adequacy of the insurance policies held by the Company;
- Continued to operate and trade the Company's business being responsible for all facets of the operations;
- Made stock purchases;
- Engaged in promotional activities;
- Updated secured creditors;

– Engaged in discussion with key wholesale customers to preserve order and maintain relationships;
– Implemented banking and management control procedures;
– Engaged in landlord negotiations and discussions;
– Communicated and provided updates to key suppliers; and
– Attended to statutory lodgements.

Following this review we formed the opinion that it would be in the best interests of the Company's creditors to continue to trade on the Company's business in order to maximise the returns from an orderly inventory realisation program, whilst facilitating a potential sale of the Company's business as a going concern.

The stock realisation program, which commenced on our appointment, included applying discounts and leveraging the publicity and media reports of the Administration in order to generate additional sales.

6.2 Preserving and securing assets

Immediately on appointment, we attended the Company's head office located at 63 Victoria Crest, Abbotsford to take control of the Company's operations and management of assets. We met with all head office staff and held telephone calls with area managers, where we confirmed our appointment and outlined the Administration process. We quickly introduced management controls which allowed the Administrators to work closely with the Company's employees at both the head office and throughout the broader store network.

Following our appointment, the KPMG Forensics and IT team accessed the Company's IT infrastructure and secured back-ups and mirrors of the Company's data. The data secured contained:

– Email server;
– Financial data, including accounting, payroll & HR software;
– Stock management system;
– Intellectual property; and
– Other working files.

We negotiated ongoing support from the Company's external IT service provider and essential software providers to secure ongoing trade of business during the Administration.

We immediately liaised with the Company's Director and key management personnel to identify, locate and secure the Company's assets. We subsequently liaised with our insurance broker, Arthur J. Gallagher & Co (Aus) Limited (AJ Gallagher) who reviewed the Company's existing insurance policies to ascertain their appropriateness for the Administration. AJ Gallagher recommended additional 'top up' policies to be implemented by the Administrators to ensure compliance with their statutory obligations and to secure the value of the Company's assets. All insurance recommendations by AJ Gallagher were implemented by the Administrators.

6.3 The sale of business process

Immediately following appointment, we engaged Deloitte Corporate Finance who, prior to the appointment, had been working with the Company to identify an equity investor or purchaser for the business. The Administrators concluded that there was a benefit in Deloitte continuing the process given the cost synergies as a data room had been formed, information memorandum prepared, a list of interested parties compiled and other documentation completed.

The work that Deloitte had completed prior to the Administrators appointment meant that Deloitte had developed an understanding of the Company and its activities, and much of the work required to commence the sales campaign had already been prepared previously allowing a sales campaign to be commenced quickly and efficiency. This avoided the Administrators undertaking the same work previously undertaken by Deloitte and was therefore cheaper for creditors.

The timetable for the sale process was as follows:

Date	Sale program
7 & 13 December 2019	Australian Financial Review (AFR) advertisements published
20 December 2019	Submission of Indicative Offers
27 December 2019	Commencement of due diligence
24 January 2020	Submission of Final Offers

The closing date for indicative offers was 20 December 2019. 14 parties were shortlisted and undertook due diligence enquiries, one trade party submitted a verbal offer. Two trade parties (one of which submitted a verbal offer) advised additional time was required to undertake further analysis and due diligence ahead of formulating a non-binding indicative offer. No final offers were received by the closing date of 24 January 2020.

Parties who withdrew from the sale process expressed a general aversion to retail investment in the current economic climate. Parties also noted difficulty in undertaking an accelerated process during the Christmas trading period.

6.4 Key trading issues and trading results

On appointment, we issued communications to customers via the Company's and Administrators' websites, in-store FAQs and numerous media releases regarding:

- The Company's stores continuing to trade 'business as usual';
- Gift cards being redeemed on a $1 for $1 basis during the Administration, with no further gift cards to be issued;
- Options for dealing with credit notes, faulty products exchanges and other orders;
- Online orders; and
- Refunds and other disputes.

Continued operational updates were released via the Company's and Administrators' websites, in-store FAQs and media releases over the course of the Administration.

A specific email address monitored by the Administrators' office was created to handle all customer enquiries regarding Administration related issues. This email address was provided on the Company's and Administrators' websites, in-store and on media releases. This allowed for a consolidated approach in dealing with the queries of customers and various stakeholders, whilst allowing the Company's staff to carry on their day-to-day duties.

As outlined at **Section 6.4.3**, a number of Company's stores were closed over a staged process dependent on their profitability, staffing resources and available stock. On the determination to close each store, electronic marketing and media releases were directed to customers and area specific media outlets based on the identified store's location, to generate additional sales in the closure period.

6.4.1 Gift Cards

Unredeemed gift card balances are an unsecured creditor in the Administration. The decision to allow gift cards to be redeemed on a $1 for $1 basis during the Administration period was made to incentivise further sales, maintain customer loyalty and brand goodwill.

As at the date of our appointment, gift cards with available balances totalling $372,284 were in circulation. Over the course of the Administration as at 29 February 2020, $98,353.23 of gift cards were redeemed. The balance of these gift cards will be able to be claimed as an unsecured creditor claim.

6.4.2 Dealing with Landlords

We contacted the Company's landlords to advise of our appointment. We subsequently conducted a review and analysis of all lease contracts, sales data, square-meterage and other key performance indicators relating to each individual store.

Based on our analysis, we entered into negotiations with landlords to have the terms of the leases varied to incorporate discounts on the rental amounts. The majority of landlords were supportive of these requests, resulting in a large number of landlords accepting a mixture of fixed rent reductions and/or rents based on a turnover percentage for the Administration period.

Continued lines of communication were maintained with landlords during the course of the Administration in relation to:

– Updates on the progress of the Administration; and
– Winding down of operations and providing formal notices of lease disclaimers.

6.4.3 Store closures and stock realisation program

Following discussions with senior management, we continued the existing discounting program across the Company's stores in order to realise the Company's stock and take advantage of media publicity immediately following the Company being placed into Administration.

We received a submission from an independent stock realisation specialist, Gordon Brothers, to assist with implementing a stock realisation strategy. The Administrators undertook extensive financial modelling in considering the commerciality and benefit to creditors in engaging a stock realisation specialist. This due diligence included the Administrators considering the net result of implementing their own stock realisation program in comparison to the proposal received, taking into account the respective fixed costs, commissions and potential success fees payable and geographically dispersed stores throughout Australia.

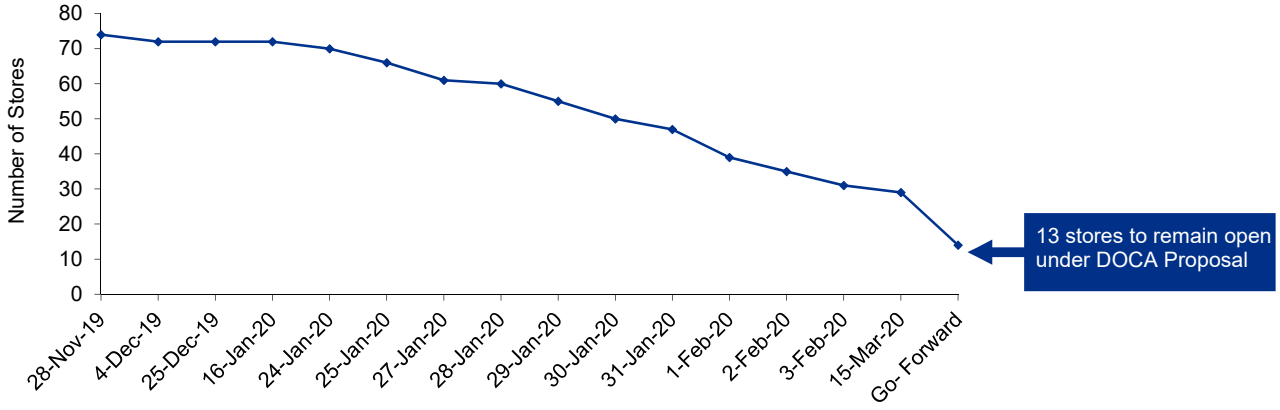
Based on the financial analysis undertaken, and consideration of the benefits and risks of each option, the Gordon Brothers' proposal demonstrated the greatest proposed net return to the Administration. The Administrators appointed Gordon Brothers on 12 December 2019, to act as the Administrators' exclusive agent in implementing a stock realisation program.

The key elements of the engagement of Gordon Brothers were:

– Sales forecasting and implementation of the stock realisation program. The stock realisation program applied a staged discounting of stock to ensure consistent sales and profit margins, maintaining customer footfall and maximising the return to the Administration;
– Implementing a dedicated team on site at stores and head office to assist with the implementation of the stock realisation program and providing 'on site' assistance to the Administration;
– Preparation and distribution of marketing materials including signage, electronic marketing materials and social media marketing; and
– Assisting with the hand back of stores to landlords.

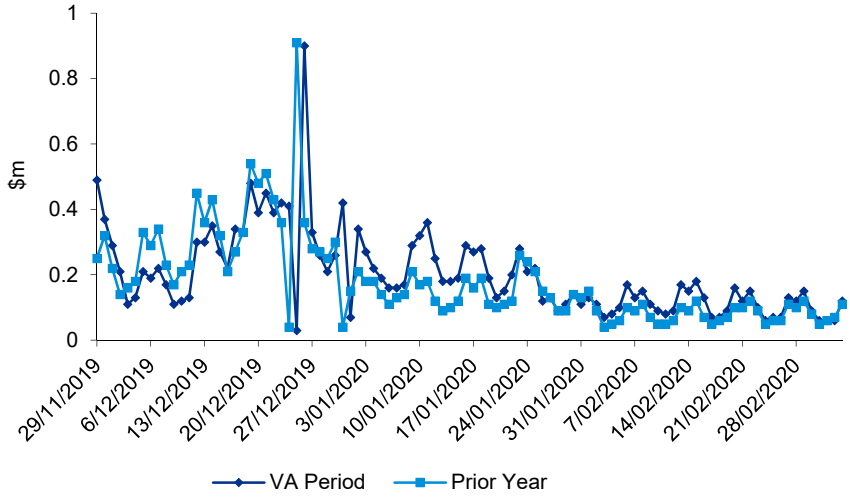
Over the course of the stock realisation program, the Administrators, key management personnel of the Company and Gordon Brothers' representatives monitored the sales results, stock levels and operating costs of each of the Company's stores. In order to maximise the prospects of the Company's business being restructured and/or sold as a going concern, a decision was made to close a number of store across Australia. This resulted in 43 stores closing in the period between 4 December 2019 and 1 March 2020. As at the date of the report, 16 further stores will be closed on or around 15 March 2020. Accordingly, 13 stores will remain open, located throughout New South Wales and Victoria, and form part of the DOCA proposal.

Store Closure Timeline



Sales of $19.7m have been achieved by the Administrators since their appointment. A summary of these sales in comparison to the same period in the previous year is outlined below:

Daily Sales (VA Period Vs Prior Year)



6.4.4 Wholesale

The wholesale team has continued to operate on a business as usual basis during the Administration period. The Administration has caused some disruption for their domestic partnerships, however customer loyalty and commitment to the brand has assisted through the transition period. The Wholesale team has experienced minimal resistance from international partners to place future orders, however noted some reluctance for further investment in the brands while the Company is under Administration.

In January 2020 the Wholesale team attended their international quarterly trade fair, exhibiting Bardot at the Copenhagen International Fashion Fair (CIFF), and Bardot Junior at Pitti Bimbo in Florence. Regular partners and new prospects responded well to the collections presented.

6.4.5 Sale of plant and equipment

Gordon Brothers' stock realisation program includes the sale of store fixtures and fittings. Fixture sales to date total $65,423, made up sales from closure stores of $44,369 and trading stores of $21,054.

6.4.6 Employees

On appointment the Company had 815 employees. A breakdown of employees across the Administration period (inclusive of employees who had provided notice of resignation prior to our appointment, but ceased employment after the appointment of Administrators and new employees engaged post the Administration) are outlined in the following table:

Employee Summary				
State	**Casual**	**Part Time**	**Full Time**	**Total**
ACT	19	-	3	22
QLD	49	4	18	71
NSW	224	13	56	293
NT	7	-	1	8
SA	22	1	4	27
TAS	3	2	1	6
VIC	216	26	102	344
WA	29	3	11	43
International	-	1	-	1
Total	**569**	**50**	**196**	**815**

We have engaged in regular communication with all employees regarding the Administrators' strategy and updates on their employment.

The Administrators assessed the ongoing resources required to facilitate the ongoing trade and closure of stores. Employee requirements were continually monitored and upon the closure of stores, where possible, staff were redeployed to remaining stores in the Bardot network. For those employees that were terminated, the majority received notice of their employment being terminated in accordance with the applicable individual agreement, enterprise bargaining agreement or award.

The Administrators wish to acknowledge the professionalism and commitment of the employees throughout the Administration period, which was an integral component of the success of the stock realisation process and wind down of operations.

6.4.7 Insurance

As outlined above at **Section 6.2**, the Administrators engaged AJ Gallagher to conduct an assessment of the Company's insurance policies to ascertain their appropriateness for the Administration. AJ Gallagher recommended a number of additional and 'top up' policies be taken by the Administrators to ensure compliance with their statutory obligations and to secure the value of the Company's assets. All insurance recommendation by AJ Gallagher were implemented by the Administrators.

Additionally, AJ Gallagher was engaged by the Administrators to conduct a Workplace Health & Safety (WHS) review of the Company's stores and head office. Overall the Company's head office and store were deemed to be compliant with the WHS inspections, however a number of minor procedures and changes, as recommended by AJ Gallagher, were implemented by the Administrators to ensure WHS compliance was maintained at the highest level.

AJ Gallagher assisted the Administrators with ensuring the relevant WorkCover registrations and policies were maintained in each state of trade.

7 Proposal for DOCA

A DOCA proposal has been received from the Company's Director, which the Administrators consider will provide a greater outcome to creditors than liquidation.

Key takeaways	
1	The terms of the DOCA, provide for the continued operation of the Company's wholesale and online operations, as well as 13 retail stores and ongoing employment for 43 head office employees plus 200 store level employees.
2	The DOCA provides for the creation of a Creditors' Trust.
3	The DOCA Proponent will make a cash contribution estimated at $1.35m. Together with surplus funds from trading during the voluntary administration and the DOCA period, the funds will be applied in accordance with the terms of the DOCA and the Creditors' Trust Deed.
4	Priority (employee) creditors will be repaid in full, the Secured Creditor will receive a return between c.$7.7m and c.$5.9m (against a debt owed of c.$15m) and unsecured creditors will receive a small fixed return.
5	**In our view, the DOCA proposal put forward by the Director provides for a greater and more certain outcome for creditors than if the Company were immediately placed into liquidation.**

7.1 Proposal received

We have received a DOCA proposal from Ms Koula Skoufi, the Director of the Company ("the **DOCA Proponent**").

The DOCA proposal provides for:

- The continued operation of 13 retail stores;
- The continued employment for 43 head office employees plus 200 store level employees;
- The formation of a Creditors Trust;
- The DOCA Proponent to make a cash contribution as follows:
  - $50k (to be paid prior to the Second Meeting); plus
  - Stock Consideration (estimated to be c. $1.3m).
- The assets of the Creditors Trust, referred to as the **"Available Property"**, to comprise:
  - The DOCA contribution from the DOCA Proponent (estimated at c. $1.35m – refer to above); and
  - The cash balance held by the Deed Administrators immediately prior to the creation of the Creditors' Trust (including any debtor collections relating to invoices issued prior to the execution of the DOCA).
- The Available Property to be distributed under the Creditors' Trust in the following order of priority:
  - Firstly, the fees and costs of the Administrators, Deed Administrators and Trustees of the Creditors Trust;
  - Priority (employees) creditors, who will be repaid in full;
  - A small fixed return to unsecured creditors; and
  - The Secured Creditor, NAB.

We consider that the proposed DOCA complies with Section 25.6.6 of the Code.

7.2 Key features of the DOCA proposal

The proposed DOCA includes the following key features:

Key element	DOCA proposal
Commencement date	Upon execution by all parties of the DOCA.
Deed Administrators	Ryan Eagle and Brendan Richards of KPMG. The Deed Administrators will become the Trustees of the Creditors' Trust.
Parties bound by the DOCA	The DOCA binds: – The DOCA Proponent; – The Administrators; – All Creditors to the extent of their Creditors' Claims – The Company, the officers of the Company and the members of the Company in accordance with Section 444G of the Act; and – A secured creditor of the Company, or an owner or lessor of Property in relation to the rights that owner or lessor has in respect of that Property, who votes in favour of the resolution of Creditors that the Company executes a DOCA.
Purpose of the DOCA proposal	The purpose of the DOCA is to: – Ensure the continued operation of the Company's wholesale and online operations, as well as ongoing operation of 13 retail stores (albeit in a reduced capacity); – Ensure ongoing employment for 43 head office employees plus 200 store level employees; – Facilitate contributions from the DOCA Proponent: o c.$50k for Stock Consideration; and o c$1.3m in additional contributions. – Ensure creditors receive a better return than a liquidation scenario; and – Control of the Company to revert to the Director following DOCA effectuation.
Creditors' Trust	A Creditors' Trust will be established for the purposes of the DOCA, named the Bardot Creditors' Trust. The purpose of the Creditors' Trust is to facilitate the earlier termination of the DOCA, so the Company avoids having to trade 'subject to DOCA', which may adversely impact upon its ability to acquire goods and services and obtain credit, in particular with international stakeholders not familiar with Australia's insolvency regime. Further details regarding the operation of the Creditors' Trust are provided later in this section of the Report.
Management of the Company	The Company's Director will commence operations for the ongoing retail stores from execution of the DOCA and management of the Company will revert to the Director upon effectuation of the DOCA.
Monitoring / reporting requirements	The Deed Administrators will report to creditors of the Company as relevant matters arise. There is no creditors' committee planned under the DOCA.

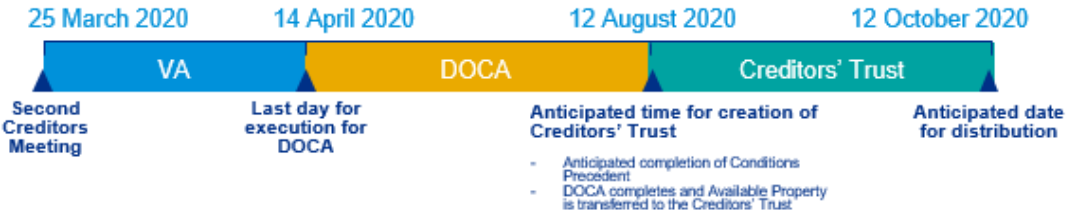
Key element	DOCA proposal
Moratorium period	During the DOCA Period, the moratorium in sections 440A, 440D and 440F of the Act will apply to bind all Creditors and members of the Company in relation to any debt payable by, or Claim against, the Company, whether present or future, certain or contingent, ascertained or sounding only in damages, the circumstances giving rise to which occurred on or before the Appointment Date. For the avoidance of doubt, during the period while the DOCA remains in effect, no application to wind up the Company may be made or continued by the members or officers of the Company.
DOCA Contribution / Available Property	Under the terms of the DOCA, the DOCA Proponent will make a cash contribution as follows: – c$50k; and – c.$1.3m (estimated) for Stock Consideration. In addition, the DOCA Proponent will assume liability for transferring employee entitlements (243 employees), as well as certain purchase orders relating to stock to be delivered post execution of the DOCA. The assets of the Creditors Trust, referred to as the "Available Property", will comprise: – The DOCA contribution from the DOCA Proponent (estimated at c. $1.35m – refer to above); and – The cash balance held by the Deed Administrators immediately prior to the creation of the Creditors Trust (including any debtor collections relating to invoices issued prior to execution of the DOCA).
Position of Creditors, dividends and order of distribution (Creditors Trust)	The DOCA provides for the Available Property to be distributed from the Creditors' Trust in the following order of priority, once the fees and costs of the Administrators, Deed Administrators and Trustees of the Creditors Trust have been paid in full (to the extent not previously paid). **1. Class A Creditors** Each Priority Creditor to the extent of their Priority Creditor's Claim for outstanding superannuation contributions as at the Appointment Date will receive such entitlement in full. **2. Class B Creditors** Each Priority Creditor whose employment whose employment has been terminated at the date on which the DOCA is signed to the extent of their Priority Creditor's Claim for all entitlements (other than outstanding superannuation contributions as at the Appointment Date, in respect of which they are a Class A Creditor) will receive such entitlements in full. **3. Class E Creditors** The following unsecured creditors: – Shanghai Zhongzhi Garments Co; and – Hangzhou Wantong Trading Class E Creditors Claim will receive a pari passu distribution of $1,000. **4. Class F Creditors** The following unsecured creditors: – Macquarie Telecom; – Russell Kennedy Pty Ltd;

Key element	DOCA proposal
	– The Retail Score; – Adcore; – Riteq Pty Limited; – Gtone International Co Ltd; – Horizons Import and Export Limited; – Hangzhou Issue Fashion Apparel; – Creative Resources Int'l Ltd; – Shenzhou Jin Da Di Garments Co; – Blac Peony Group I&E Co Ltd; – Wuxi Zhongfu Corporation; – Nanjing Sohopark I and E Co Ltd; and – Business Direct Limited. Class F Creditors will receive a pari passu distribution of $1,000. **5. Class H Creditors** Unsecured creditors who have not been included in Creditor Classes A to G will receive a pari passu distribution of $1,000. **6. Class D Creditor** Means the National Australia Bank Limited, the secured creditor. NAB will receive a fixed distribution of $50,000 at the time of execution of the DOCA, as well as any surplus funds in the Creditors' Trust following payment of all amounts as outlined in this section. The above classes of creditors are the **Trust Creditors**.
Position of Creditors – Other Creditors	**1. Class C Creditors** Class C Creditors will not be entitled to make a claim against the Available Property under the Creditors' Trust. Class C Creditors will not have their Creditors' Claims released or extinguished by the DOCA. The DOCA Proponent shall procure that on and from Completion, the Company will remain responsible for, and shall recognise, honour and pay, the entitlements of Class C Creditors, including any entitlements which accrued prior to or after the Appointment Date. **2. Class G Creditors** Class G Creditors will not be entitled to make a claim against the Available Property under the Creditors' Trust. Class G Creditors will have their Creditors' Claims released and extinguished by the DOCA.
Secured Creditors	As noted above, the NAB will receive a fixed distribution of $50,000 at the time of execution of the DOCA and will also be entitled to any surplus funds in the Creditors' Trust following payment of all amounts as outlined in the above section 'Position of Creditors, dividends and order of distribution (Creditors' Trust)'.
Meetings	The Deed Administrators have the powers to convene and hold meetings of the Creditors and members of the Company for any purpose authorised by the Deed Administrators
Committee of Inspection	There will not be a committee under the DOCA.

Key element	DOCA proposal
Administrators' indemnity	The Administrators, the Deed Administrators and each partner and employee of the Administrators and the Deed Administrators will be indemnified out of the assets of the Company and the Creditors' Trust for fees and costs and other certain amounts arising out of, or in connection with the performance of their respective functions and/or Voluntary Administration, DOCA or Creditors' Trust.
Termination	The DOCA will terminate on the earlier of the following occurring: – Automatically on and from Completion of the DOCA which shall occur once the Deed Administrators have transferred all of the Available Property to the Creditors' Trust in accordance with the DOCA; – By order of the Court terminating the DOCA under section 445D of the Act; – Automatically if the Conditions Precedent set out in the DOCA are not satisfied or waived or before the Sunset Date; and By resolution of the Creditors at a meeting convened under Division 75 of Schedule 2 (Insolvency Practice Schedule (Corporations)) to the Act.
Conditions Precedent and subsequent events	The completion of the DOCA is subject to the satisfaction or waiver (of both the DOCA Proponent and the Deed Administrators) of the following Conditions Precedent: a) The approval of the DOCA by the Company's creditors at the Creditors' Meeting; b) The Deed Administrators and the Company executing the Creditors' Trust Deed; c) The Deed Administrators terminating the employment of all employees of the Company other than employees to work at the continuing stores and the head office employees, as set out the DOCA (with such termination to take effect on and from Completion of the DOCA); d) Unless waived by the Deed Administrators in writing in their sole discretion, a release from the relevant counterparty of the Administrators, Deed Administrators and Trustees on the terms required by the Deed Administrators from liability in respect of any Outstanding Purchase Orders or Assumed Liability; e) To the extent agreed by the parties, agreement from any creditors with certain registered security interests to deregister those security interests; f) Unless waived by the Deed Administrators in writing in their sole discretion, the Deed Administrators: – Have received evidence to their satisfaction that all Outstanding Purchase Orders have been paid in full; – Have collected all debtors of the Company relating to the period prior to the Appointment Date and up to and including the date of execution of the DOCA; – Have received all Stock Realisation Proceeds in full; – Are satisfied that there are no reimbursements for any Assumed Liabilities required to be made under the DOCA; and – There are no facts or circumstances in respect of which they may need to call on the indemnity in the DOCA. The Conditions Precedent must be satisfied or waived by the Sunset Date.

7.3 Indicative timeline

The indicative timeline for the DOCA and the Creditors' Trust is as follows:



7.4 Creditors' Trust

The DOCA proposal provides for the creation of a Creditors' Trust to be named the *Bardot Creditors' Trust*. The key features of the Creditors' Trust are as follows:

Item	Information for creditors
Reason	The purpose of the Creditors' Trust is to enable certain tasks ordinarily undertaken by the Deed Administrators (including but not limited to, the calling for and adjudication upon the claims of creditors) to be performed by the Trustees of the Creditors' Trust, in order to: – Facilitate the early termination of the DOCA, so the Company avoids having to trade 'subject to DOCA', which may adversely impact upon its ability to acquire goods and services and obtain credit, in particular with international stakeholders not familiar with Australia's insolvency regime; and – Generate new wholesale customers without the stigma of the DOCA. The funds that will be available for distribution from the Creditors' Trust to Trust Creditors are estimated to be between c.$8.9m and c.$7.1m, comprising: – The DOCA contribution estimated at c. $1.35m; and – Surplus trading funds from the voluntary administration and/or DOCA Period estimated at between c. $7.55m and c.$5.75m. This includes the amount of $80,000 (**Trustees' Cap**) which will be paid to the Creditors' Trust for the Administrators, Deed Administrators and Trustees' fees and expenses. These fees and expenses will be capped at this amount, unless there is a challenge in Court in respect of the Trustees 'administration of the Creditors' Trust.

<table>
<tr><th>Item</th><th>Information for creditors</th></tr>
<tr><td>Key events</td><td>On and from Completion of the DOCA, the Deed Administrators will:
– The Deed Administrators will become the Trustees of the Creditors' Trust and transfer the Available Property to the Creditors' Trust;
– The Company will be released from all Participating Creditor's Claims and each Participating Creditor will be entitled to claim against the Creditors' Trust in an amount equal to their released Participating Creditor's Claim; and
– All Participating Creditors with a Participating Creditor's Claim must accept their entitlements under the Creditors' Trust in full satisfaction and complete discharge of their Participating Creditor's Claims which they have or claim to have and the Participating Creditor's Claims of all Participating Creditors will be extinguished as against the Company.
Control of the Company will return to its Directors upon Completion of the DOCA.
The Trustees will conduct a proof of debt process and call for, and adjudicate, proofs of debt. Following completion of this process, the Trustees will make one or more distributions from the Creditors' Trust as set out in the section 'Position of Creditors, dividends and order of distribution (Creditors' Trust)' above.
An indicative timeline for these key events is outlined at section 7.3</td></tr>
<tr><td>Return</td><td>The anticipated return to creditors by creditor class is tabled below:
<table><tr><th colspan="3">Return to creditors (Creditors' Trust)</th></tr><tr><th>Creditor Class</th><th>Total fund</th><th>Return (cents in the $)</th></tr><tr><td>Class A Creditors</td><td>$153,145</td><td>100c/$</td></tr><tr><td>Class B Creditors</td><td>$1,296,978</td><td>100c/$</td></tr><tr><td>Class C Creditors</td><td>-</td><td>Non-Participating</td></tr><tr><td>Class D Creditors^</td><td>$7.7m to $5.9m</td><td>50c/$ to 38c/$</td></tr><tr><td>Class E Creditors</td><td>$1,000</td><td>0.01c/$</td></tr><tr><td>Class F Creditors</td><td>$1,000</td><td>0.01c/$</td></tr><tr><td>Class H Creditors</td><td>$1,000</td><td>0.06c/$</td></tr></table>Only Classes A, B, E, F, H and D Creditors are receiving distributions. Classes C and G are not receiving any distributions from the Trust
Section 7.3 of this report outlines the indicative timeframe for
- The Available Property to be paid into the Creditors' Trust; and
- The anticipated date for distribution of funds held in the Creditors' Trust to Trust Creditors whose proofs of debt have been admitted by the Trustees.
There would be no material variance in the return to creditors of the Company if the DOCA proposal did not involve a Creditors' Trust.
Section 10 of this report outlines the anticipated return to creditors under the DOCA (including the Creditors' Trust) in comparison to a Liquidation of the Company.
^ Inclusive of the return to the NAB from its secured assets. For further information on the return to creditors, refer to Section 10 of this report.</td></tr>
<tr><td>Trustees</td><td>The Trustees of the Creditors' Trust are proposed to be Ryan Eagle and Brendan Richards of KPMG. Details of their skills and expertise are available on the KPMG website. KPMG has in place appropriate insurance coverage for the proposed work to be performed.</td></tr>
</table>

Item	Information for creditors
Remuneration	The Trustees' costs and expenses will be capped at $80,000, unless there is a Court challenge to the Trustees' determination of a proof of debt or there is any other dispute or challenge in Court in respect of the Trustees' administration of the Creditors' Trust. The Trustees will be remunerated for their services pursuant to the Creditors' Trust at their usual hourly rates subject to approval being obtained in accordance with s60-10 of Schedule 2 (Insolvency Practice Schedule (Corporations)) of the Act.
Indemnity	The Trustees and each partner and employee of the Trustees will be indemnified out of the assets of the Creditors' Trust for fees and costs and other certain amounts arising out of, or in connection with, the performance of their respective functions and/or the Creditors' Trust. The Trustees of the Creditors' Trust will be entitled to be indemnified out of, and will have a lien over, the funds in the Creditors' Trust for their remuneration, costs and expenses incurred in adjudicating upon proofs of debt of creditors and distributing the funds in the Creditors' Trust (up to a limit of $80,000 for costs incurred in relation to the conduct of the Creditors' Trust).
Powers	The powers of a Deed Administrator are as set out in the DOCA and also sections of the Act, to the extent that they are applicable. Trusts are not governed by the Act and therefore the powers of trustees are also outside of the Act. Their powers are provided by the general law, the Creditors' Trust Deed and the Trustee Act of Victoria.
Claims	The Available Property will be distributed from the Creditors' Trust as set out above following the completion of the adjudication of the proofs of debt process and the Trustees will have discretion to make interim distributions. **Section 7.2** sets out the position of creditors, dividends and order of distribution.
Other creditor/ beneficiary differences	Creditors' rights in an external administration are provided under the Act. Should creditors vote in favour of the DOCA and the Creditors' Trust is formed upon Completion of the DOCA: – The Company will be released from all Participating Creditor's Claims and each Participating Creditor will be entitled to claim against the Creditors' Trust in an amount equal to their released Participating Creditor's Claim; and – All Participating Creditors with a Participating Creditor's Claim must accept their entitlements under the Creditors' Trust in full satisfaction and complete discharge of their Participating Creditor's Claims which they have or claim to have and the Participating Creditor's Claims of all Participating Creditors will be extinguished as against the Company.
FEG	To the extent that there are any arrears due to employees with respect to wages and other priority employee entitlements, these priority entitlements to employees will be paid in full. Therefore, FEG claims will not be required.

Item	Information for creditors
Compliance opinion	We are of the opinion that the DOCA Proponent and the Company are capable of complying with their respective obligations to the Trustees. There is nothing to indicate that the DOCA Proponent and the Company will be unable to comply with their obligations under the proposal. Importantly, all Participating Creditors with a Participating Creditor's Claims will not have their claim extinguished against the Company until the Available Property has been received and is transferred to the Creditors' Trust. We are informed by the DOCA Proponent that it is well advanced in discussions with financiers to secure the following funding to satisfy the DOCA Contribution and to fund the working capital requirements of the Company post Completion of the DOCA: – $3m (AUD) loan facility from Gordon Brothers – $1m (AUD) debtor finance facility from Scottish Pacific; and – $2.5m (USD) export debtor finance facility from Scottish Pacific. Additionally, the DOCA Proponent has informed that it is in well advanced negotiations to provide sufficient evidence in relation to: – Support from the landlords of the ongoing stores; and – Support from the Class E Creditors for continued supply to the Company.
Solvency statement	We are of the opinion that subject to satisfaction of the conditions precedent to the DOCA, the Company will be solvent at the date of effectuation of the DOCA for the following reasons: - The Company will be released from all Participating Creditor's Claims and each Participating Creditor will be entitled to claim against the Creditors' Trust in an amount equal to their released Participating Creditor's Claim; - The Secured Creditor's claim against the Company would have been addressed; - We are informed by the DOCA Proponent that it is well progressed in securing finance of at least $6.5m from Gordon Brothers and Scottish Pacific to pay the DOCA Contribution and provide working capital for the Company's operations; - Pipeline of further wholesale revenue; - Key supplier support; and - Landlord support for the ongoing stores. Therefore, it is our opinion that the Company will be balance sheet and cash flow solvent on Completion of the DOCA.
Tax implications (company / trust)	The Creditors' Trust creates the potential for some taxation issues to arise, as compared to an ordinary DOCA proposal (where the claims of participating creditors are dealt with by the Company). These may mean that the funds available to creditors are reduced in order to account for any taxation liabilities associated with the administration of the distribution process under a trust structure. We do not expect that there will be any material changes to the funds available for the distribution as a result of the Creditors' Trust structure, however creditors may wish to obtain their own taxation advice to confirm the tax implications of the Creditors' Trust for their own personal circumstances.
Tax implications (creditor / beneficiary)	There may be some implications for Participating Creditors as a result of receiving a distribution from a trust in respect of a bad or doubtful debt, rather than from the debtor company being administrated under a DOCA. Creditors who are proposed to become beneficiaries of the Creditors' Trust are advised to seek their own independent advice on this issue.
Other issues	No other material aspects or implications have been identified at this stage.

7.5 Key risks of the Proposal

The key risk to the DOCA (if approved by creditors) is the ability of the DOCA Proponent to secure funding in order to fund the DOCA Contribution and post-DOCA working capital.

We are informed by the DOCA Proponent they are well advanced in discussions with financiers to secure the following funding to satisfy the DOCA Contribution and to fund the working capital requirements of the Company post Completion of the DOCA:

- $3m (AUD) loan facility from Gordon Brothers
- $1m (AUD) debtor finance facility from Scottish Pacific; and
- $2.5m (USD) export debtor finance facility from Scottish Pacific.

In addition, the DOCA Proponent has informed us they are well advanced in discussions to obtain the following evidence:

- Commitment letters of support and extension of leasing from the applicable landlord for each of the continuing stores; and
- Commitment letters of support and extension of supply arrangements from each of the Class E Creditors, following Completion of the DOCA.

The Administrators believe the risks of a Creditors' Trust are mitigated as the Conditions Precedent to the DOCA require the DOCA Proponents' contributions to be made in full, before the Completion of DOCA occurs and all Available Property is transferred to the Creditors' Trust.

In addition, the Administrators note there are key risks to the DOCA, as result of the current volatile macro-economic conditions as a result of COVID-19, which may impact the ability of the Deed Proponent to secure funding or impact the future solvency of the Company.

7.6 Related parties

The proposed DOCA provides that any amounts that may be owed to Bardot by any person who was a Director of Bardot at the Relevant Date are Excluded Assets of the DOCA. Sections 8 & 9 outline our investigations whereby we have identified it is unlikely the Company's Director has the financial capacity to satisfy any claims.

Related party debts in the DOCA proposal are classified as Class H creditors, who will receive a return of 0.06c/$.

7.7 Further information for creditors

Creditors should seek their own legal advice as to their rights and the effects of their position in entering into the DOCA.

Creditors can obtain further information from the ASIC website at www.asic.gov.au under Regulatory Resources – Insolvency – Insolvency for Creditors.

8 Statutory investigations

This section provides creditors with information on the preliminary investigations undertaken by the Administrators to date, and whether there have been any potential actions identified that may be pursued by a Liquidator, if appointed.

Key takeaways	
1	The Administrators believe that the Company may have been insolvent from as early as 31 March 2019, however more likely 30 June 2019.
2	The quantum of the insolvent trading claim is estimated at c. $7m should it be determined that the Company was insolvent from 30 June 2019.
3	From our preliminary investigations to date, it does not appear that the Director, potential Shadow Director or parent entity have the financial capacity to satisfy a potential insolvent trading claim.

8.1 Nature and scope of review

The Act requires an administrator to carry out preliminary investigations into a Company's business, property, affairs and financial circumstances.

Investigations centre on transactions entered into by the Company that a liquidator might seek to have declared void (together with orders for repayment or compensation) if the Company is wound up. Investigations allow an administrator to advise creditors what funds might become available to a liquidator such that creditors can properly assess whether to accept a DOCA proposal or resolve to wind up the Company. We investigated matters to the extent possible in the time available.

A liquidator may recover funds from certain voidable transactions or though other avenues; for example, through action seeking compensation for insolvent trading or breach of director duties. Funds recovered would be available to the general body of unsecured creditors including secured creditors but only to the extent of any shortfall incurred after realising their security.

A deed administrator does not have recourse in relation to voidable transactions.

The Administrators' knowledge of the Company's affairs comes principally from the following sources:

- Discussions with the Director, CEO and key senior staff members;
- The Director's ROCAP;
- Management accounts, books and records and financial statements;
- The Company's internal accounting system;
- Correspondence and discussions with the Company's creditors;
- Searches obtained from relevant statutory authorities;
- Records maintained by the ATO; and
- Publicly available information.

8.2 Directors' and officers' responsibilities

Sections 180 to 184 of the Act set out the duties, obligations and responsibilities imposed on Directors which are designed to promote good governance and ensure that Directors act in the interests of the Company. These duties include:

- Duty of care and diligence;
- Duty of good faith;
- Duty not to make improper use of position; and
- Duty not to make improper use of information.

Based on our investigations to date, we have not identified any breaches of Section 180 to Section 184 of the Act.

8.3 The Company's solvency

Some actions available to a liquidator to recover funds through the voiding of certain transactions or through other legal actions, such as seeking compensation from directors for insolvent trading, require the Company's insolvency to be established at the relevant time.

There are two primary tests used in determining a Company's solvency, at a particular date, namely:

- Balance sheet test; and
- Cash flow or commercial test.

The Courts have widely used the cash flow or commercial test in determining a Company's solvency at a particular date along with several other indicators.

Section 95A of the Act also contains a definition of solvency. That definition reflects the commercial test in stating that a person is solvent if "the person is able to pay all the person's debts as and when they become due and payable". If a person is not solvent, they are insolvent.

However, the commercial test is not the sole determinant of solvency. Determining solvency derives from a proper consideration of a Company's financial position in its entirety and in the context of commercial reality.

Relevant issues include, but are not limited to, the following:

- The degree of liquidity. A temporary lack of liquidity is not conclusive, and regard should be had to:
  - Cash resources; and
  - Monies available through asset realisation, borrowing against the security of assets or equity/capital.
- All of a Company's assets might not be relevant when considering solvency. For example, where a Company proposes selling assets that are essential to its business operations, the proceeds of the assets should not be taken into account;
- The voluntary and temporary forbearance by creditors not to enforce payment terms;
- The expectation or otherwise of financial support from related Companies; and
- It is not appropriate to base an assessment of whether a company can meet its liabilities as and when they fall due on the prospect that a company might trade profitably in the future.

In summary, it is a Company's inability in using such resources as are available to it through the use of its assets, or otherwise, to meet its debts as they fall due, which indicates insolvency.

Below is a summary of the applicable insolvency indicators as outlined in ASIC Regulatory Guide 16 – Schedule C, together with our comments in relation to Company:

Bardot Pty Ltd | Indicators of Insolvency					
Reference	**Indicator**	**FY17**	**FY18**	**FY19**	**YTD FY20**
8.3.1	Ongoing losses	✓	✓	✓	✓
8.3.2	Working capital position	✓	✓	✓	✓
8.3.3	Net asset deficiency	×	✓	✓	✓
8.3.4	Poor cash flow	?	✓	✓	✓
8.3.5	Creditors unpaid outside trading terms	?	✓	✓	✓
8.3.6	Entering into special arrangements with creditors	×	?	✓	✓
8.3.7	Solicitor letters, demands, summonses, judgements or warrants issued against the company	×	?	?	✓
8.3.8	Round sum payments	×	?	✓	✓
8.3.9	Overdue taxes and superannuation liabilities	×	×	✓	✓
8.3.10	Poor relationship with a financier or the inability to borrow	×	×	✓	✓
8.3.11	Overdraft limit reached or defaults on loan or interest payments	×	×	✓	✓
8.3.12	Inability to raise funds from shareholders	?	?	×	✓
8.3.13	Expectation that the 'next' big job/sale/contract would save the company	?	?	✓	✓
	Legend:	Preliminary assessment of insolvent period			
	Indicator	✓			
	Requires further investigation	?			
	Not an indicator	×			

8.3.1 Ongoing losses

A series of trading losses may cause or indicate a decline in working capital resources available to the business. Trading losses may however, be absorbed by borrowings, alternative finance or a capital injection/raising or asset sales.

We have undertaken a review of the profitability reported in the past two audited financial reports (FY17 & FY18) and as per the management reports as at 30 June 2019 and 28 November 2019.

Based on these records, the Company recorded the following net profit / (loss) after income tax:

Period	Financial Statements	Profit / (loss) ($m)
FY17	Audited	(1.7)
FY18	Audited	(18.4)
FY19	Management	(7.2)
YTD FY20	Management	(3.8)

Source: Audited financial statements FY17 and FY18, management accounts FY19 and YTD20

Based on our analysis, Bardot has operated with trading losses since at least 30 June 2017, with a significant loss incurred in FY18, partially attributed to an impairment expense on property, plant and equipment for c. $6m. This impairment expense related predominantly to plant & equipment (fixtures and fittings). In addition, during FY18 the Company suffered a c. 5% decline in sales revenue compared to FY17 (FY17 $129m to FY18 $123m).

8.3.1.1 Auditors' comments

The audited financial statements were prepared on a going concern basis, assuming that the Company will be able to realise its assets and discharge its liabilities in the normal course of business.

The Auditor's reports in FY17 & FY18 noted **there was material uncertainty as to whether the Company could continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.**

8.3.2 Working capital position / current ratio

The current ratio can be used as a general indicator of liquid assets available to pay debts as and when they fall due within 12 months.

A current ratio of less than 1 may indicate that a company is unable to pay its debts as and when they fall due.

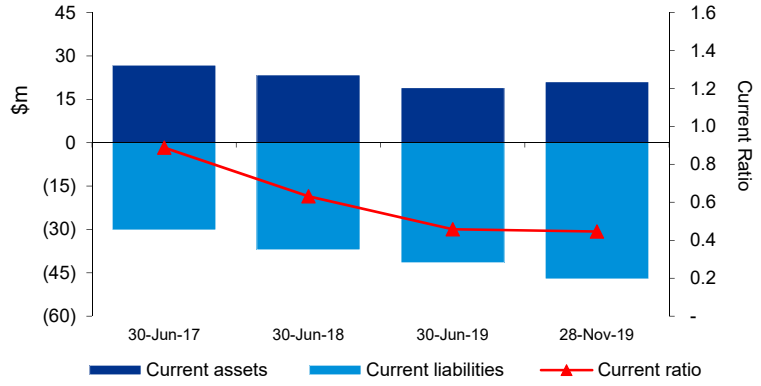
The Company recorded the following current ratio as at the last three financial years ended and year to date as at 28 November 2019.

Current Ratio Analysis ($m)	FY17	FY18	FY19	YTD FY20
Current assets	26.8	23.4	18.9	21.0
Current liabilities	30.2	37.0	41.5	47.1
Current ratio	**0.89**	**0.63**	**0.46**	**0.45**

Source: Audited financial statements FY 17 and FY 18, management accounts FY19 and YTD20

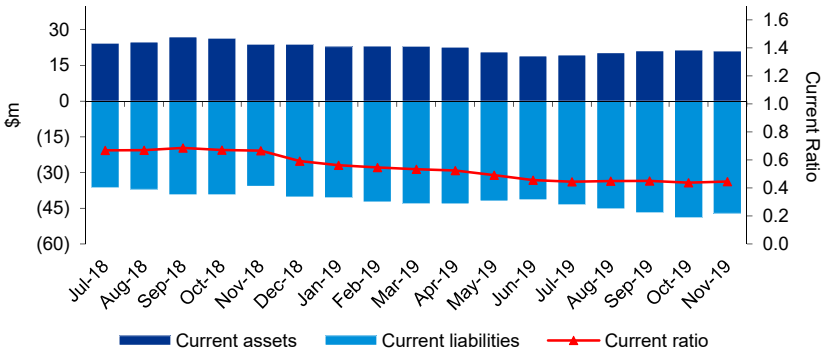
The following graph illustrates the financial year current ratio position from 30 June 2017 to 28 November 2019:

Current assets, liabilities and current ratio - Annual analysis



The following graph illustrates the month by month current ratio position from 1 July 2018 to 28 November 2019:

Current assets, liabilities and current ratio: Monthly analysis



Source: Management accounts FY19 and YTD20

Based on our analysis, the Company's current ratio was below 1 from at least 30 June 2017 to the date of our appointment.

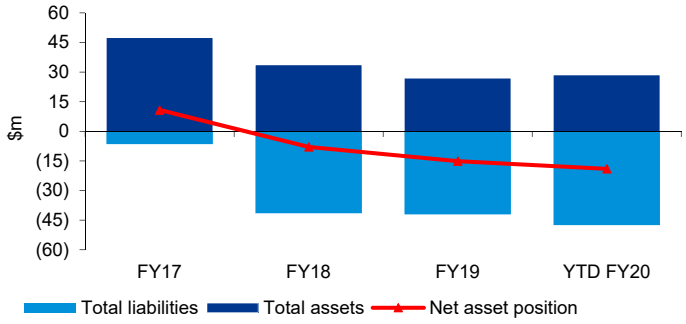
8.3.3 Net asset deficiency

Based on the audited financial statements and the Company's management accounts, the Company experienced a net asset deficiency from FY18 onwards, as recorded by the following net asset positions:

Period	Financial Statements	Net asset position ($m)
FY17	Audited financials	10.9
FY18	Audited financials	(7.9)
FY19	Management accounts	(15.2)
YTD FY20	Management accounts	(19.0)

Source: Audited financial statements FY 17 and FY 18, management accounts FY19 and YTD20

Net Asset Deficiency



Source: Audited financial statements FY 17 and FY 18, management accounts FY19 and YTD20

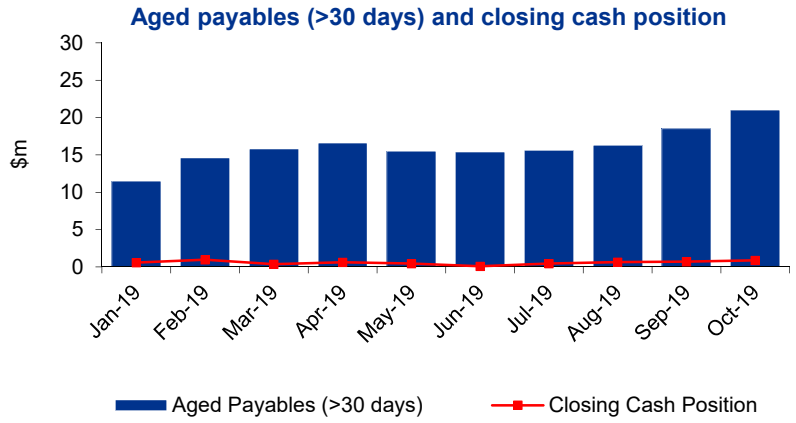
Our analysis has identified the following key drivers in the deterioration of the Company's net asset position:

– Deterioration in cash and cash equivalents held by the Company (c. $5.4m in FY17 to c .$0.4m in YTD FY20);
– Increased current liabilities, particularly trade payables (c. $20.3m in FY17 to c. $26.3m in YTD FY20);
– Reduction in the value of plant and equipment owed by the Company (c. $14.3m in FY17 to c. $2.4m in YTD FY20, primarily driven by an impairment expense of c.$6m in FY18 and closure of six unprofitable stores in FY19).

8.3.4 Poor cash flow

The Company maintained a cash flow statement showing the Company's actual cash inflows and outflows compared with their budgeted inflows and outflows up to October 2019. The monthly cash flow reports that were prepared were enclosed in the monthly management reports which included a profit and loss statement, balance sheet and current balance of trade creditors.

The Company's monthly closing cash balance did not exceed $1m for 2019 and cash balances remained insufficient to satisfy outstanding aged payables, which exceeded $20m across the calendar year 2019.



Source: Management accounts FY19 and YTD20

In consideration of the Company's actual versus budgeted cash position, it should be noted the Company was required to maintain sufficient cash resources to meet the following monthly operating costs:

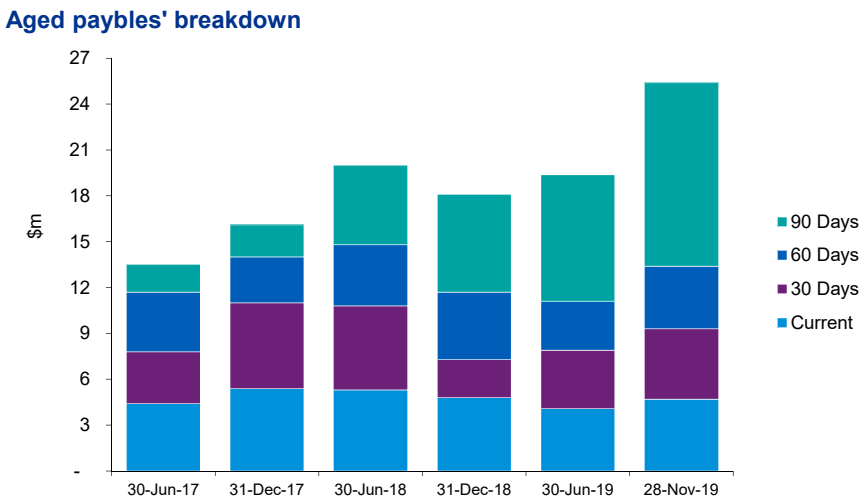
– Payroll c.$1.2m to c.$1.5m; and
– Occupancy costs c.$1.5m.

Additionally, it should be noted there was an increase of c.$5.9m in total amount owing to aged payables from 30 June 2019 to the date of our appointment (including 'current' debts).

8.3.5 Creditors unpaid outside trading terms

An indicator of cash flow stress is creditors increasingly being paid late, invoices not paid within trading terms, or at all (where not disputed).

The historical aging of Bardot's creditors per the Company's management accounts is below:



Source: Management accounts FY17, FY18 FY19 and YTD20

We make the following comments on this analysis:

– The aged payable position indicates that:
  - 79% of the value of creditors were aged over 30 days as at 30 June 2019; and
  - 81% of the value of creditors were aged over 30 day terms as at 28 November 2019.

- We have identified 17 statutory demands totalling c. $0.9m that were issued to the Company. The majority of these remained unpaid or were subject to payment plans at the date of appointment. (Refer to **Section 8.3.7** for further details);
- A number of creditors were placed on monthly payment plans from January 2019. We have identified at least 15 suppliers who were placed on monthly payment plans in January 2019 totalling c. $13.8m. (Refer to **Section 8.3.6** for further details).
- Trading terms:
    - We have reviewed a sample of the claims received from unsecured creditors, including
        - Overseas suppliers;
        - Local suppliers;
        - Landlords; and
        - Other trade creditors.
    - The majority of trading terms identified are 30 days or 30 days EOM. However, across the sample size we have identified that the majority of the trading payment terms where between 14 to 60 days.
    - We have calculated the debts incurred post the date of insolvency on the assumption that the average trade terms were 30 days.
    - A liquidator, if appointed would be required to conduct an analysis on each individual claim of unsecured creditors, in determining the debts incurred whilst insolvent.

This high level analysis suggests that Bardot was experiencing pressure to pay creditors within trading terms from 31 December 2018 onwards.

8.3.6 Entering into special arrangements with creditors

Where a Company is unable to pay its debt to a creditor in full, they may agree with the creditor to enter into a repayment arrangement to meet arrears. Whilst entering into the arrangement is a strong indicator of financial stress, the arrangement itself may cause the company to 'return to solvency' as a result of the agreement, as the debt is no longer due and payable in full at that point in time.

As outlined above, Bardot entered into a number of informal repayment arrangements with creditors during FY19 and YTD FY20. We have identified at least 15 suppliers who were placed on monthly payment plans totalling c. $13.8m, in January 2019.

Whilst the Company successful negotiated repayment arrangements with a number of its creditors, these arrangement did not appear to materially reduce the Company's total aged payables (refer to **Section 8.3.5** for further details). Additionally, from our analysis of the running accounts with these creditors, there is evidence these arrangements were breached (either by late or non-payment).

8.3.7 Solicitor's letters, demands, summonses, judgements or warrants issued

We have identified that 17 statutory demands totalling c. $0.9m were issued to the Company since August 2019. The majority of these remained unpaid or were subject to payment plans at the date of our appointment.

We are not aware of any outstanding winding up applications against the Company as at the date of our appointment.

8.3.8 Round sum payments

Companies who are experiencing working capital stress may reduce creditor debts with round payments and are often not necessarily associated with satisfying particular invoices.

Our investigations have identified round sum payments totalling c. $1m to suppliers during the relation-back period.

These payments may constitute unfair preferences under the Act, subject to further investigations being undertaken by a liquidator, if appointed.

Round dollar payments	$AUD
Round dollar payments - $USD transactions*	636,015
Round dollar payments - $AUD transactions	342,000
Total	**$978,015**

**relate to payments in AUD in the Company's banking records, but once converted to USD constituted round figures (noting the payments were made to overseas suppliers, against invoices made out in USD).*

Refer to **Section 9.2** for further information regarding potential preferential payments.

8.3.9 Overdue taxes and superannuation liabilities

Late or non-payments and/or lodgements of statutory tax returns is a strong indicator of financial distress in a business. Upon our appointment, the Company is estimated to have had the following outstanding statutory liabilities:

Creditor	Amount outstanding ($)
ATO (BAS & PAYG)	967,190
OSR (Payroll Tax - SA)	8,294
OSR (Payroll Tax – NSW)	31,856
Total	**1,007,340**

Source: Proof of debts received from ATO and OSR SA

8.3.10 Poor relationships with a financier or the inability to borrow

A Company's financier has greater visibility over the Company's financial health in comparison to the general body of unsecured creditors, as the financier benefits from the supply of company financial information to manage and consider its exposure.

A poor relationship with a financier may be driven by:

– Late or absence of repayments on facilities;
– Overdrawn or breach of facilities;
– Breach of covenants or financial ratios; and
– Breach of other conditions, including supply of information as required.

A poor relationship with a financier is not necessarily a firm indicator of the Company's insolvency, however the poor relationship may lead to the inability to renew, extend, increase or restructure financing facilities.

8.3.10.1 Summary of financing arrangements

The Company's primary financier was the NAB, who provided the Company's financing and bank guarantee facilities.

A summary of the Company's financing facilities is set out in the below table:

NAB Facility	Facility Amount ($m)	Amount Drawn ($m)
Facility A	8.0	8.0
Facility B	3.1	3.1
Bank guarantee facility	4.2	3.2
Bank guarantee facility	1.0	1.0
Total	**16.3**	**15.3**

The Company's finance facilities (Facility A and B) were fully drawn on appointment.

8.3.10.2 Relationship with NAB

The Company's long term financier was the NAB. The below timeline details the key events between the Company and the NAB:

Date	Event
15 January 2019	NAB approval for an additional $3m in funding.
21 March 2019	Formal extension of facilities for a further 3 months until 30 June 2019.
31 March 2019	Expiry of original NAB facilities.
26 June 2019	Formal extension of facilities for a further 3 months until 30 September 2019.
24 September 2019	Formal extension of facilities for a further 3 months until 31 December 2019.

The NAB facilities had certain financial covenants that were required to be maintained and satisfied.

The table below details the required NAB financial covenants levels, along with the Company's results in FY18 and FY19 which were calculated by the Company and included in their reporting to NAB.

NAB Covenants	Requirements	FY18	FY19
Capital adequacy ratio (1)	**20%**	(24.50%)	(59.30%)
Fixed charge coverage (2)	**1.05**	0.62	0.83
Leverage ratio (3)	**3**	(1.35)	(5.47)

Source: Management accounts FY18 and FY19

(1) Capital adequacy ratio: Net assets less tangible assets divided by tangible assets
(2) Fixed charge coverage: EDITDAL divided by fixed charges (rent and interest)
(3) Leverage ratio: Total debt divided by total business EBITDA

For the period 30 June 2019 to 28 November 2019 there were no significant improvements in the key drivers of the three financial covenants, being the Company's net assets, total assets and EBITDA. Accordingly, the Company remained in breach of their covenants with NAB up until our appointment as Administrators.

8.3.11 Overdraft limit reached / defaults on loans

The Company did not operate an overdraft facility with NAB.

However, all loan facilities the Company held with NAB were at their limits during the 2019 calendar year. The facilities were originally due to expire on the 31 March 2019. As outlined above at **Section 8.3.10.2**, the Company failed to meet the terms of repayment and the NAB provided three month extensions to the facilities in March, June and September 2019.

8.3.12 Inability to raise funds from shareholders

During FY19, the Company received a loan from its CEO, Basil Artemides for $1m. We have determined these funds were immaterial to the Company's solvency due to quantum of outstanding debts as at 30 June 2019.

8.3.13 Expectation that the 'next' big job / sale / contract would save the Company

In May 2019, the Company engaged Deloitte Corporate Finance to assist with identifying investors in order to raise $10m of funding via either equity, debt or convertible notes.

An information memorandum (**IM**) for the proposed capital raising transaction was provided to over 50 potential parties. As a result of providing the IM to over 50 potential parties, the following responses were received;

– 47 potential parties advised they held no interest;
– Two parties expressed potential interest and had requested further information, yet no offers were forthcoming; and
– One interested party engaged in advanced negotiations to provide funding of $4.5m, which ultimately did not come to fruition.

Considering the scope of the Company's engagement with Deloitte Corporate Finance, we believe it is reasonable to assume the Company was unable to raise funding to a level sufficient to have a material impact on the Company's solvency.

Additionally, our analysis has determined that should $10m of funding have been secure, whilst it would been combined with Company's working capital, it was insufficient to meet the liabilities that were "due and payable" as at the date of our appointment:

– c. $12m of aged payables aged beyond 90 days;
– c. $15m to the NAB; and
– c. $0.9m to the ATO.

8.4 Preliminary conclusion as to solvency

From the evidence gathered during our preliminary investigations, it is the Administrators' view the Company may have become insolvent on or around 31 March 2019, but more likely by 30 June 2019 due to the following:

– The working capital deficiency of the Company from 30 June 2018 to the appointment of Administrators;
– Continual loses incurred from FY17 onwards;
– Aged payables outside of trading terms (26% at >90 days overdue as at 30 June 2018, increasing to over 40% in 30 June 2019);
– Insufficient cash balances to meet outstanding aged payables, which exceeded $20m throughout calendar year 2019; and
– The inability of the Company to raise additional funds, negotiate alternative agreements with secured creditors or secure potential investors to meet its working capital deficiency.

We note the assessment of insolvency ought to have regard to all of the facts and circumstances that can be found to exist at a particular date, and no one item of proof in isolation is deemed to represent insolvency.

A liquidator, if appointed, would need to conduct further investigations, and possibly conduct a public examination of relevant parties, to ultimately determine whether or not the Company became insolvent at that time or earlier.

8.5 Potential liquidator recoveries – insolvent trading

8.5.1 Director's liability

Section 588G of the Act imposes a positive duty upon company directors to prevent insolvent trading. If a director is found to have committed an offence under Section 588G, the Court may order him or her to pay compensation to the company equal to the amount of loss or damage suffered by its creditors.

The Court may also impose upon the directors one of two types of civil penalty orders, the first can include a fine or an order prohibiting the directors from participating in the management of a company. The second, where there is criminal intent and conviction, exposes a director to imprisonment for up to five years and/or a fine.

This action is not a right that is available to an administrator or a deed administrator. Applications for compensation payable to the company are usually made by a liquidator, or in specified circumstances, a creditor.

The substantive elements of Section 588G are:

– A person must be a director of a company at a time when the company incurs a debt;
– The company must be insolvent at the time or become insolvent by incurring the debt; and
– The director must have reasonable grounds for suspecting that the company is insolvent or would become insolvent.

The Administrators estimate that the quantum of a potential insolvent trading claim against the Director would be:

– c. $13m should it be determined that the Company was insolvent from 31 March 2019.
– c. $7m, should it be determined that the Company was insolvent from 30 June 2019.

The quantum comprises all unsecured debt incurred since the time the Company was considered insolvent which was not satisfied prior to the appointment of Administrators.

8.5.2 Shadow Director

The concept of Shadow or De facto Directors stems from the definition of Director in the Corporations Act 2001 (Cth) which is not limited to persons formally appointed to the office.

The definition includes a person who, while not validly-appointed as a company Director and listed on the ASIC register, acts in the position of the a Director (De facto Director) or whose instructions or wishes the Directors of the company are accustomed to act in accordance with (Shadow Director).

The overall concepts of ascertaining whether a person is acting as a Shadow or De facto Director is complex. However, there have been a number of tests established by the Courts, primarily focused around whether Directors or Board members are accustomed to acting with the wishes of the Shadow Director, including:

- Performing positive acts (not desisting from acting);
- As a regular course of action over a period of time; and
- Establishment of a causal connection between the instructions and courses of action.

From our investigations, we have identified that a liquidator appointed over the Company may have a potential claim against the Company's CEO, Basil Artemides, as a Shadow Director. In addition, it should be noted that Basil Artemides is spouse of the Director of the Company, that being Koula Skoufi.

The liquidator would be required to undertake further investigations to establish whether Basil Artemides was deemed to be a Shadow Director of the Company.

8.5.3 Director's defences

The defences available to director contained in Section 588H are:

- The directors had reasonable grounds at the time the debt was incurred to expect the company to be solvent and would remain solvent even after the debt was incurred;
- The directors relied on another competent and reliable person to provide information about whether or not the company was insolvent;
- The director was ill or for some other good reason did not take part in the management of the company; and
- The director took reasonable steps to prevent the incurring of the debt.

The defences available to director contained in Section 588GA are:

- At a particular time after the person starts to suspect the company, may become or be insolvent, the person starts developing one or more courses of action that are reasonable likely to lead to a better outcome for the company (Safe Harbour);
- The debt is incurred directly or indirectly in connection with any such course of action during the period starting at that time, and ending at the earliest of any of the following times:
  - If the person fails to take any such course of action with a reasonable period after that time;
  - When the person ceases to take any such course of action;
  - When any such course of action ceases to reasonably likely lead to a better outcome for the company
  - The appointment of an administrator, or liquidator, of the Company.

8.5.4 Holding company liability

Section 588V of the Act provides that a holding company may be held liable for the debts of a subsidiary in certain circumstances.

The substantive elements of Section 588V are:

- The corporation is the holding company at the time when the company incurs a debt;
- The subsidiary is insolvent at that time, or becomes insolvent by incurring that debt;
- The holding company or one or more of its directors, is aware at that time that there are ground for suspecting the subsidiary is insolvent; or

- Having regard to the nature or extent of the holdings company's control of the subsidiary affairs, then it would be reasonable to expect that;
  - The holding company would be aware of the subsidiary's financial position; or
  - The holding company's directors would also be aware of the subsidiary financial position.

The defences the holding company may rely upon are set out in Section 588X and are essentially the same as those a director may rely upon under Section 588H.

Furthermore, the Courts have held that as a defence to such proceeding, a holding company can off-set any claim by a liquidator under Section 588W against monies owing under an intercompany loan account.

Skoop Pty Ltd was the holding company of Bardot. In our view, the commonality of Director (that being Koula Skoufi), the nature and extend of Skoop's control and influence over the Company's operations was such that it would be reasonable to expect that they had knowledge of the Company's financial position.

8.5.5 Commercial viability of any claim

Any decision to commence an action against the Director, potential Shadow Director or holding company for insolvent trading must have regard to the following:

- The costs of litigation and the uncertainty of success inherent in any complex litigation; and
- The Director's or holding company's capacity to meet a claim for compensation.

In determining a course of action, a liquidator would consider the costs and risks of any proceeding and the ability to fund any proceeding, including whether creditors are prepared to forgo any scheduled dividend and/or costs of the litigation funding as an alternative.

A liquidator may write to the Director, potential Shadow Director or holding company, setting out the results of the investigations and the conclusions in relation to insolvent trading and requesting payment of compensation for debts incurred by the Company at a time when it was insolvent.

Subject to a response, if any, being received, to progress the insolvent trading claims, it would probably be necessary, in the first instance, to conduct public examinations of the Director and potential Shadow Director. The purpose of these examinations would be to further investigate the examinable affairs of the Company and obtain further information and documentation in relation to the matters raised at **Sections 8.5 and 8.7** of this report.

If a settlement is not forthcoming in answer to any letter of demand, a liquidator may commence recovery proceedings against the Director, potential Shadow Director or holding company (and entities associated with them, if applicable) for amounts relating to insolvent trading, unfair preference payments, uncommercial transactions and/or director-related transactions.

Should recovery actions be contemplated against the Director, potential Shadow Director or holding company, it would be necessary to consider their insurance cover as well as their personal financial positions and ability to meet any claim.

Our preliminary investigations have identified the Director, potential Shadow Director and holding company have ownership in properties located in Australia, however our findings relating to the properties' equity positions are not conclusive and we have not fully assessed their financial ability to meet any potential claims. However, from our investigations conducted to date, the Administrators do not believe these parties have sufficient net assets which would allow for a commercial recovery from a potential claim/s.

In any event, the analysis of an insolvent trading claim is complex and would require a detailed calculation by a liquidator and legal advice.

8.6 Adequacy of books and records

Section 286 of the Act requires a company to keep written financial records that correctly record and explain the company's transactions, financial position and performance and would enable true and fair financial statements to be prepared. The financial records must be retained for a period of seven years after the transactions covered by the records are completed.

The failure to maintain books and records in accordance with Section 286 provides a rebuttable presumption of insolvency which might be relied upon by a liquidator in an application for compensation for insolvent trading.

Based on our review of the books and records received, we are of the opinion that the Company's books and records were maintained in accordance with Section 286 of the Act.

With respect to the period from 1 July 2018 to the date of administration, we note the management accounts prepared by the Company were not audited and, as such, there is the potential that a number of accounts may be misstated. However, we would expect that those discrepancies would have been rectified as at 30 June 2019 had the Company not been placed into Administration.

8.7 Other matters arising from investigations

8.7.1 Falsification of books

Pursuant to Section 1307(1) of the Act, it is an offence for a person to engage in conduct that results in the concealment, destruction, mutilation or falsification of any securities of or belonging to the company or any books affecting or relating to affairs of the company.

If an offence is proven, there are criminal penalties only. However, similar or related conduct also could give rise to a contravention of Section 1307(2) of the Act and that contravention could give rise to a claim for damages. Further, conduct falling within either Section 1307(1) or Section 1307(2) may amount to breaches of directors' statutory and/or general law duties and/or provisions proscribing misleading conduct which could give rise to a recovery of funds.

The Administrators' preliminary investigations do not reveal any evidence of falsification of books.

8.7.2 False or misleading statements

Pursuant to Section 1308 of the Act, a company must not advertise or publish a misleading statement regarding the amount of its capital. It is an offence for a person to make or authorise a statement that, to the person's knowledge is false or misleading in a material particular.

The Administrators' preliminary investigations do not reveal any evidence of any false or misleading statements.

8.7.3 False information

Pursuant to Section 1309 of the Act, it is an offence for an officer or employee to make available or give information to a director, auditor, member, debenture holder, or trustee for debenture holders of the company that is to the knowledge of the officer or employee:

– False or misleading in a particular matter; or
– Has omitted from it a matter the omission of which renders the information misleading in a material respect.

The Administrators' preliminary investigations do not reveal any evidence of any false information.

9 Voidable transactions

This section informs creditors about potential voidable transactions that occurred prior to the appointment of the Administrators, and where the property of the Company was disposed of or dealt with, may be recovered by a liquidator.

Key takeaways	
1	We have identified potential voidable antecedent transactions totalling approximately c.$3.7m in relation to the Company.
2	A liquidator, if appointed will be able to perform further investigations into transactions that had the effect of conferring a benefit on the Director, or a related entity of the Company.

A Liquidator has the power to take steps to have declared void certain transactions which are either not beneficial, or are detrimental, to a company. An administrator must identify any transactions that appear to be voidable by a Liquidator. Apart from seeking to have a voidable transaction declared void, a liquidator may seek related orders, including the payment of compensation.

Enclosed at **Annexure F** is a creditor information sheet published by ARITA. This information sheet details the types of transactions which a liquidator can seek to have declared void, which include:

- Unfair preference payments;
- Uncommercial transactions;
- Unfair loans;
- Unreasonable director-related transactions;
- Inappropriate related party transactions;
- Creation of circulating security interests within 6 months of commencement of Administration; and
- Transactions for the purpose of defeating creditors

For the purposes of examining voidable transactions, the Liquidator would review transactions that occurred during the relevant time period (as prescribed under the Act), taking into consideration the "relation back day". The relation back day for the Company is 28 May 2019, being six-months prior to the Company being placed into Administration as determined by Section 91 of the Act.

9.1 Summary of potential antecedent transactions

Set out below is a summary of transactions that a liquidator would be very likely to investigate further if the Company is placed into liquidation.

Potential recovery item	Value ($m)
Unfair preferences	c.$1.3m
Unreasonable director-related transactions	c.$2.4m

9.2 Unfair preferences – section 588FA

Section 588FA of the Act states that a transaction is an unfair preference given to a creditor of a company, if, and only if:

- The company and the creditor are parties to the transaction (even if someone else is also party to the transaction);
- The transaction results in the creditor receiving from the company, in respect of an unsecured debt that the company owed to the creditor, more than the creditor would receive from the company in respect of the debt if the transaction were set aside and the creditor were to prove for the debt in a winding up of the company, even

if the transaction is entered into, is given effect to, or is required to be given effect to, because of an order of an Australian Court or direction by an agency;

– It is an insolvent transaction (i.e. the company was or becomes insolvent at the time it was entered into); and
– If the other party to the transaction is a non-related entity, the transaction occurred in the six months ended on the 'relation-back' day, being 28 May 2019.

Our preliminary investigations have identified c. $1.3m in potential preferential payments, summarised as follows:

Potential preferential payments	$AUD ($m)
Creditors receiving a net benefit during relation back period	c.$0.35m
Round dollar payments - $USD transactions*	c.$0.60m
Round dollar payments - $AUD transactions	c.$0.35m
Total	**c.$1.30m**

**The 'round dollar payments - $USD transactions' relate to payments in the Company's records in AUD, that were paid in USD to overseas creditors (who had invoiced in USD). Once these amounts in AUD were converted to USD, they constituted round payments.*

Unfair preference payments are voidable against a liquidator, and further investigations would be undertaken in the liquidation to determine the likelihood of action for the recovery of unfair preference payments being successful. We note that successful action for unfair preference payments includes establishing the date of insolvency, and the costs of pursuing an unfair preference payment can sometimes outweigh the potential returns. Additionally, any successful recovery action in overseas jurisdictions such as China, which would likely involve significant legal costs which may render the claim to be uncommercial.

9.2.1 Unfair preferences – Defences

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

9.3 Uncommercial transactions – section 588FB

An uncommercial transaction is a transaction which a reasonable person in the place of the company would not have entered into, taking into account the benefits and the detriment to the company, the respective benefits to the other parties involved and any other related matters.

A liquidator must establish at the time the transaction was entered into, or when given effect to, the Company was insolvent or became insolvent as a result of the transaction.

Based on our investigations to date, we are not aware of any uncommercial transactions entered into by the Company.

9.4 Unfair loans – section 588FD

A liquidator must investigate loans to the company which may be considered unfair due to extortionate interest rates or charges.

Based on the books and records in our possession we have not identified any transactions which would constitute unfair loans entered into by the Company prior to our appointment.

9.5 Unreasonable director-related transactions – section 588FDA

Pursuant to Section 588FDA of the Act, a transaction is an unreasonable director-related transaction if there is a payment by the Company to a director or close associate of the director, where a reasonable person in the company's circumstances would not make the payment. The transaction must have been unreasonable, and entered into during the four years prior to the relation back day, regardless of the solvency at the time the transaction occurred. These can include remuneration, bonuses, loans, loan forgiveness and asset transfers to company officers within the four year period ending on the relation-back date.

The Administrators' preliminary investigations have indicated three potential categories of director related transactions which may be recoverable by a liquidator. If appointed, a liquidator would have to undertake further investigations in order to confirm whether these transactions are recoverable

9.5.1 Unreasonable director-related transactions – Dividend to Skoop Pty Ltd

On 30 September 2017, the Company's director resolved that a fully franked dividend of $410,000 be paid by the Company to its parent entity - Skoop Pty Ltd ATF the Carol Investment Trust.

The Company's audited financial statement statements for FY18 and internal records disclose this dividend was declared and paid.

As outlined earlier in this report, the Company incurred a loss of c.$18m in FY18. Additionally, as outlined at section 8 of this report, our preliminary investigations have determined it is unlikely Skoop Pty Ltd has capacity to satisfy any claim brought forth by a liquidator. However, a liquidator, if appointed, would undertake further investigations in order to ascertain the recoverability of this transaction.

9.5.2 Unreasonable director-related transactions – Loan to Bardot Hong Kong Limited

The Company's management accounts disclose a loan account with the related entity, Bardot Hong Kong Limited. The balance owing under this loan account as at the date of our appointment is as follows:

Loan	Amount ($)
Bardot Hong Kong	c.$0.7m

From the Administrators' investigations to date, this loan accounts appears to include monies lent to Bardot Hong Kong Limited and unpaid invoices for wholesale inventory.

Given the fact that Bardot Hong Kong Limited is located and incorporated in an international jurisdiction, the costs of any recovery action would likely to be considerably higher than that of similar recovery efforts, if carried out locally. There is also a significant risk of non-payment, even if there was a successful court action. These risks would need to be considered by a liquidator in the event of an unfair loan action.

Our preliminary investigations indicate Bardot Hong Kong does not have the capacity to satisfy any claim brought forth by a liquidator. However, a liquidator, if appointed, would undertake further investigations in order to determine the recoverability of this transaction.

9.5.3 Unreasonable director-related transactions – Licencing agreement with Artemides Holdings Pty Ltd ATF Brigitte Trust

The below table provides a summary of the brand licencing agreement entered between Artemides Holdings Pty Ltd ATF Bridgette Trust and Bardot Pty Ltd.

Summary of brand licencing agreement		
Agreement period	**Minimum performance criteria**	**Royalty paid ($)**
FY17	Wholesale and retail sales of $25m per annum	c.$1.15m
FY18	Wholesale and retail sales of $25m per annum	c.$0.5m
FY19	Wholesale and retail sales of $25m per annum	c.$0.14m

We consider the terms to be commercial in the circumstances and note it would be difficult in a liquidation to prove that the terms were not commercial. We also consider that it may prove uncommercial to pursue any claims should it be proved that Bardot suffered significant financial consequences as a result of the above transactions.

We note the minimum performance criteria under the royalty agreements for these periods were satisfied as detailed in the table above. Therefore, it is likely that the transactions may be considered reasonable.

Should a liquidator be appointed, further investigations would be need to determine the commerciality of the above transactions.

9.6 Voidable charges

A circulating security interest is voidable if the security interest was created during the six months ending on the relation back day, and the security interest was created to secure borrowings that were advanced prior to the creation of the security interest.

Based on the books and records in our possession, we have not identified any voidable charges.

9.7 Arrangements to avoid employee entitlements

Part 5.8A of the Act aims to protect the entitlements of a company's employees from agreements that deliberately defeat the recovery of those entitlements upon insolvency.

Under Section 596AB(1) of the Act, it is an offence for a person to enter into a transaction or relevant agreement with the intention of, or with intentions that include:

– Preventing recovery of employee entitlements; or
– Significantly reducing the amount of employee entitlements recoverable.

The Administrators have not identified any contravention of Part 5.8A of the Act.

Unpaid employee entitlements are discussed further in **Section 6** of this report.

9.8 Director's ability to pay a liquidator's claims

In certain circumstances, a company's director may become personally liable for losses incurred by creditors and where related party transactions are overturned.

Should recovery actions be contemplated against the Director, or if established, a Shadow Director, it would be necessary to consider their insurance cover as well as their personal financial positions and ability to meet any claim.

Our preliminary investigations have identified the Director and potential Shadow Director have ownership in properties located in Australia, however our findings relating to the properties' equity positions are not conclusive and we have not fully assessed their financial ability to meet any potential claims. However, from our investigations conducted to date, the Administrators do not believe the Director or potential Shadow Director have sufficient net assets which would allow for a commercial recovery from a potential claim/s.

If the Company is placed into liquidation, the Administrators will undertake further assessments of the commerciality and likelihood of success of any recovery actions.

9.9 Reports to the ASIC

Section 438D of the Act requires us to lodge a report with the ASIC should we become aware of:

– Any offences committed by a past or present officer of the Company;
– Evidence that money or property has been misapplied or retained; and
– Evidence that a party is guilty of negligence, default, breach of duty or breach of trust in relation to the Company.

Creditors should be aware that any report lodged pursuant to section 438D (or an investigative report lodged by a liquidator pursuant to section 533 of the Act) is not available to the public. The Administrators intend to lodge this report shortly, and in any event, prior to the date of the Second Meeting.

10 Return to creditors

This section provides creditors with information on the estimated financial outcome to creditors together with the anticipated timing of any dividend.

Key takeaways	
1	The estimated outcome presented incorporates many assumptions which are **subject to significant change**.
2	The table below outlines an estimated low and high return for various classes of creditors in a liquidation and DOCA, at both high & low scenarios.
3	The DOCA is anticipated to provide a greater return to creditors than a liquidation.

10.1 Return to creditors

The table below outlines an estimated Low and High return for each class of creditor in both a Liquidation and a DOCA scenario.

Estimated outcome statement	Note		Wind-down		DOCA	
AUD'000, ex-GST*		**Book**	**Realisation**		**Realisation**	
			High	**Low**	**High**	**Low**
Non-circulating assets						
Plant and equipment	1	2,475	150	100	150	100
Total non-circulating assets		**3,948**	**150**	**100**	**150**	**100**
Less: cost of realising non-circulating assets	2	-	(8)	(10)	(8)	(10)
Net non-circulating assets		**3,948**	**143**	**90**	**143**	**90**
Less: secured creditor	3	*(15,776)*	(15,776)	(15,776)	(15,776)	(15,776)
Surplus/(shortfall) to secured creditor		**(11,828)**	**(15,634)**	**(15,686)**	**(15,634)**	**(15,686)**
Circulating assets						
Cash and cash equivalents at appointment	4	299	299	299	299	299
Pre-appointment debtors collection	5	6,349	3,847	3,682	3,847	3,682
Inventories at date of appointment	6	13,416	20,369	19,671	20,645	20,103
Inventories purchased post appointment	6	6,398	12,576	11,849	9,311	8,884
Inventories paid by DOCA proponent	6	2,208	-	-	1,289	1,289
IP	7	1,473	250	150	-	-
Insolvent trading & preference payments	8	-	200	-	-	-
Total circulating assets		**26,462**	**37,541**	**35,651**	**35,391**	**34,257**
Less: Trading costs	9		(26,689)	(27,372)	(22,812)	(23,192)
Less: Appointees' remuneration and expenses	10		(3,809)	(4,042)	(3,689)	(3,922)
Surplus/(shortfall) to priority creditors			**7,044**	**4,237**	**8,890**	**7,143**
Less: priority creditors	11	-	(3,053)	(3,053)	(1,297)	(1,297)
Surplus/(shortfall) to secured creditors		**-**	**3,991**	**1,184**	**7,593**	**5,846**
DOCA cash contribution to Class D creditors	12	-	-	-	50	50
Adj: Surplus/(shortfall) to secured creditors			**3,991**	**1,184**	**7,643**	**5,896**
Allocation to shortfall to secured creditor		(11,828)	(15,634)	(15,686)	(15,634)	(15,686)
Total return to secured creditors			4,133 *26%*	1,274 *8%*	7,785 *50%*	5,986 *38%*
Amount available to unsecured creditors		**-**	**-**	**-**	**-**	**-**
DOCA cash contribution to unsecured creditors	12		-	-	3	3
Total amount available to unsecured creditors			**-**	**-**	**3**	**3**

Distribution of DOCA funds to unsecured creditors are as follows:

Creditors	DOCA Contribution	Claims	Return
Class E	$1k	$13.8m	0.01 c/$
Class F	$1k	$9.9m	0.01 c/$
Class H	$1k	$1.6m	0.06 c/$
Total	**$3k**	**$25.3m**	

The above calculations are an estimate only and may change due to:

- The final amount realised from the inventory realisation program;
- Final proving of creditor claims;
- The costs of litigation to recover any potential voidable transactions;
- Changes in the quantum of costs of the DOCA for unforeseen issues; and
- Compliance with all provisions of the DOCA.

We provide the following comments on the statement of position below:

10.1.1 Plant & equipment

Based on a pro-rata of the realisation rate from the Gordon Brothers' sale plant & equipment. Fixture sales to date total $65,423. Further information on the realisation of the Company's plant & equipment is outlined at **Sections 5.1.4 and 6.4.5** of this report.

10.1.2 Realisation costs

Based on the commissions payable in relation to the agreement entered into between the Administrators and Gordon Brothers under the realisation program.

10.1.3 Secured creditor

Amount owing the NAB as at the date of our appointment, inclusive of c.$4m for bank guarantees.

10.1.4 Cash & cash equivalents

Cash at bank as at 28 November 2019. Further information on the Company's cash at bank on appointment is outlined at **Section 5.1.1** of this report.

10.1.5 Pre-appointment debtors

Net debtor collections since appointment total $3,681,563 made up of $3,145,861 from international debtor collections and $535,702 from Australian debtor collections.

Further collections of $165k are anticipated by the Administrators, while the balance of the ledger has been deemed uncollectable, due to returns, deductions, rebates and settlement adjustments, which we have determined to be standard industry practice. The Administrators have also provisioned for collectability issues with some of the international debtors, given the costs of commencing recovery actions in foreign jurisdictions.

10.1.6 Inventories

Retail inventories

Based on the current inventory realisation program, the DOCA assumes a realisation from inventories based on a cost multiplier of 1.69x for the 'high' scenario and 1.67x for the 'low' scenario. In a wind-down scenario we have assumed a cost multiplier of 1.55x for the 'high' scenario and 1.51x for the 'low' scenario.

Further information on the Administrators' inventory realisation program is outlined at **Section 6.4.3** of this report.

Wholesale inventories

The DOCA assumes a cost multiplier of 1.63x for the 'high' scenario and 1.52x for the 'low' scenario. Wind-down assumes a cost multiplier of 1.36x for the 'high' scenario and 1.26x for the 'low' scenario.

Further information on the Company's wholesale operations is outlined at **Section 6.4.4** of this report.

Inventories paid by DOCA proponent

Forecasted inventories held in the 13 stores continuing to trade under the proposed DOCA, which are payable by the DOCA proponent.

Additionally, c.$6.4m in purchase orders for additional inventory have been placed by the Administrators, since their appointment, which are identified as the *book value* amount of the *inventory purchased post appointment.* Under the terms of the DOCA proposal, the DOCA proponent will be assigned the outstanding purchase orders as at the date of the DOCA execution. The Administrators estimate the value of those purchase orders to be c. $3.1 as at the anticipated DOCA execution date.

Further information on the DOCA proposal is outlined at **Section 7** of this report.

10.1.7 Intellectual property

Estimated realisable amount from the sale of the Company's customer list, in a Liquidation scenario. As outlined at **Section 3.1** of this report, the intellectual property of the Group (excluding the customer list) is owned by related entities.

10.1.8 Recoveries from insolvent trading ant antecedent transactions

Assumes the net proceeds in a Liquidation scenario, for preferential payments from domestic creditors. As outlined at **Sections 8 & 9** of this report, the Administrators believe it may be uncommercial and / or the relevant parties to not have capacity to satisfy any claims brought forward by a Liquidator for insolvent trading, director related unreasonable transactions and preferential payments (for overseas suppliers).

10.1.9 Trading costs

Based on FY19 and FY20 forecast expenditure from December to May, and a 2.5% cost overrun in the 'low' scenario. DOCA – based on FY19 and FY20 forecast expenditure from December to March, and a 2.5% cost overrun in the 'low' scenario.

Inclusive of supplier payments essential for ongoing trade.

10.1.10 Appointees' remuneration and expenses

Remuneration for the Voluntary Administrators and Deed Administrators / Liquidators, as per the Remuneration Report at **Annexure E** of this report.

Expenses relate to the costs in engaging external parties to assist with:

- Conducting the sale of business / capital raising program;
- Legal advice;
- Insurance; and
- Workplace health & safety reviews.

10.1.11 Return to priority creditors

In a Liquidation scenario, all employees of the company would be terminated. However, the DOCA proposal continues the employment for 243 employees, therefore reducing the quantum of employee entitlements, given these employees will continue with the Company.

In both the Liquidation and DOCA scenarios, priority employees are anticipated to receive a return in full on their claims.

Amounts owing to priority creditors are outlined further at **Sections 5.1.6, 6.4.6 and 7.2** of this report.

10.1.12 DOCA contribution

Based on the term sheet of the DOCA proposal, as outlined at **Section 7** of this report.

10.2 Timing of dividend

The Administrators comment on the estimated timing of any dividend under both the liquidation and DOCA scenario as follows:

10.2.1 Liquidation

Any dividend to creditors in a liquidation scenario will be subject to the time required to:

- Finalise investigations into any potential litigation recoveries;
- Commence and finalise any litigation proceedings, if applicable;
- Realise of the Company's assets; and
- Adjudicate on all creditor claims received and deal with any objections relating to the same.

10.2.2 DOCA

Any dividend to creditors in a DOCA scenario will be subject to the time required to:

- Completion of the conditions precedent of the DOCA proposal;
- Creation of the Creditors' Trust;
- Adjudication on all creditor claims received and deal with any objections relating to the same; and
- The trustees would then make distributions to creditors through the Creditors' Trust in accordance with statutory timeframes.

Section 7 of this report includes a timeline on the DOCA proposal and anticipated timing of the distribution to Creditors.

11 Statement by Administrators

We recommend that creditors resolve to execute the DOCA proposal detailed at Section 7.

Pursuant to IPR 75-225(3)(b), we are required to provide creditors with a statement setting out our opinion on whether it is in creditors' interests for the:

- Administration to end;
- Company to be wound up; and
- Company to execute a DOCA.

Each of these options is considered below. In forming our opinion, it is necessary to consider an estimate of the dividend creditors might expect and the likely costs under each option.

11.1 Administration to end

The Company is insolvent and unable to pay its debts as and when they fall due. Accordingly, returning control of the Company to its Director would be inappropriate and is not recommended.

11.2 DOCA

We are of the opinion that the DOCA proposal put forward by the Director should be accepted by creditors as it provides:

- Ongoing employment for 243 of the Company's employees;
- A return of 100c/$ to priority creditors;
- A return of $50,000 to the Company's secured creditor, the NAB (exclusive *of the return to the NAB from its secured assets. For further information on the return to creditors, refer to* ***Section 10*** *of this report)*;
- A return of $3,000 to other categorises of creditors; and
- Continuity of the Company's business (in a reduced capacity).

It should be noted that any antecedent recoveries that could be recovered in a liquidation scenario will not be recovered under a DOCA.

11.3 Winding up of the Company

As the DOCA proposal provides a greater return to creditors, it is our opinion that the Company should not be placed into liquidation.

A liquidator would be in a position to conduct detailed investigations into the conduct of the director and the financial affairs of the Company. A liquidator will also be empowered to:

- Complete the sale of assets in an orderly manner;
- 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;
- Distribute recoveries made in accordance with the priority provisions of the Act; and
- Report to the ASIC on the results of investigations into the Company's affairs.

We note that recoveries available to a liquidator are uncertain, will require additional funding to pursue, and are ultimately unlikely to provide a greater return to creditors.

12 Further information and enquiries

The ASIC has released several insolvency information sheets to assist creditors, employees and shareholders with their understanding of the insolvency process. You can access the relevant ASIC information sheets at www.asic.gov.au.

We will advise creditors in writing of any additional matter that comes to our attention after the release of this Report, which in our view is material to creditors' consideration.

Should you have any enquiries, please contact on +61 3 8626 0959 or by email at bardotcreditors@kpmg.com.au.

Dated this 17th day of March 2020

Brendan Richards
Joint Administrator

Ryan Eagle
Joint Administrator

Annexures

A – Receipts & Payments

Receipts and Payments as at 29 February 2020	Total AUD$	Total USD$
Receipts		
Pre-appointment AUD Cash at Bank Balances	296,983	-
Pre-appointment USD Cash at Bank Balances	-	1,783
Deposit refunds	-	3,777
Interest Received	9,116	-
Other Receipts Received	31,326	-
Pre-appointment Debtor Recoveries	534,775	2,180,834
Post-appointment Debtor Recoveries	-	1,059,360
Sales	21,225,477	-
Total receipts	**22,097,678**	**3,245,753**
Payments		
Advertising	(199,678)	-
Bank Charges	(149,517)	(2,465)
Contra Sales	(40,466)	-
Cost of Goods Sold	(2,606,795)	(1,568,397)
Customs Duty	(146,778)	(289,072)
Freight & Logistics	(2,547,619)	(653,001)
Insurance	(176,584)	-
Legal Fees	(110,483)	-
Office Supplies	(128)	-
Packaging	(25,841)	-
Payroll Expenses	(4,442,743)	(46,211)
Printing & Stationery	(20,992)	-
Professional Fees	(147,616)	-
Relocation Expenses	-	(275)
Repairs & Maintenance	(34,386)	-
Secured Creditors Claims	(176,528)	(2,326)
Software & Technology	(244,248)	-
Subcontractors & Contractors	(9,676)	-
Sundry Expenses	(21,159)	-
Telephone & Fax	(80,665)	-
Travel Related Expenses	(54,547)	-
Utilities	(36,092)	(197)
Total Payments	**(11,272,540)**	**(2,561,943)**
Net realisations from trading	**10,825,138**	**683,810**

B – Notice of meeting of creditors

Notice of meeting of creditors

*Insolvency Practice Rules (Corporations) 2016 (**IPR**), Section 75-225*

Bardot Pty Ltd (Administrators Appointed) (the Company)
ACN 074 147 434

NOTICE is given that a meeting of creditors of the Company will be held on 25 March 2020 at 11:00am (AEDT) at Level 36, Tower Two, Collins Square, 727 Collins Square, Melbourne VIC 3008.

Agenda

1. To consider a statement by the Director about the Company's business, property, affairs and financial circumstances.
2. To consider the circumstances leading to the appointment of the Administrators to the Company, details of the proposed Deed of Company Arrangement (if any) and the various options available to creditors.
3. To consider the report of the Administrators.
4. To resolve that:
   - The Company execute a Deed of Company Arrangement; or
   - The Administration should end; or
   - The Company be wound up.
5. If it is resolved that the Company be wound up, and an alternate Liquidator is proposed, consider whether creditors wish to appoint the alternate Liquidator.
6. If it is resolved that the Company be wound up, consider whether a Committee of Inspection is to be appointed, and if so, the members of that Committee.
7. If it is resolved that the Company be wound up, consider whether, pursuant to Section 477(2A) of the Corporations Act 2001 (**the Act**), creditors authorise the Liquidators to compromise any debt owed to the Company.
8. If it is resolved that the Company be wound up, consider whether, pursuant to Section 477(2B) of the Corporations Act 2001, creditors authorise the Liquidators to enter into any agreement on the Company's behalf where:
   - the term of the agreement may end; or
   - obligations of a party to the agreement may, according to the terms of the agreement, be discharged by performance; more than three months after the agreement is entered into.
9. If it is resolved that the Company be wound up, consider whether, subject to obtaining the approval of the Australian Securities & Investments Commission (**ASIC**) pursuant to Section 70-35 of Schedule 2 to the Act, the books and records of the Company and of the Liquidators may be disposed of by the Liquidators 12 months after the dissolution of the Company or earlier at the discretion of ASIC.
10. To fix the remuneration of the Administrators.
11. If it is resolved that the Company execute a Deed of Company Arrangement, to fix the remuneration of the Deed Administrators and Trustees of the Creditors' Trust.
12. If it is resolved that the Company be wound up, to fix the remuneration of the Liquidators.
13. Any other business that may be lawfully brought forward.

For a person to be eligible to attend and vote at the meeting on your behalf, a Form 532, Appointment of Proxy, is to be completed and submitted by no later than 4:00pm (AEDT) on 24 March 2020, to:

Bardot Pty Ltd (Administrators Appointed)
c/- KPMG
GPO Box 223 BRISBANE QLD 8001
Email: bardotcreditors@kpmg.com.au

Note:

A company may only be represented by proxy or by an attorney appointed pursuant to IPR Sections 75-25 and 75-150 or, by a representative appointed under Section 250D of the Act.

Creditor wishing to attend the meeting in person should arrive at 10:00am to allow sufficient time to register for the meeting.

For creditors who are unable to attend the meeting, a conference call facility will be available. Please note that due to the number of creditors who may dial into the meeting, it will not be possible to consider those creditors as attendees of the meeting and they will not be able to vote or participate in the meeting. If you wish to vote or participate, you must attend in person or by proxy.

Please email Alexandra Lloyd at alloyd5@kpmg.com.au at least one business day prior to the meeting to advise that you will be using the conference facilities and to be provided with the conference call code.

In light of the ongoing COVD-19 pandemic and to ensure the health & safety of all stakeholders, it is the Administrators' intention the meeting of creditors be held as a 'digital meeting'.

Teleconference and video conference facilities will be available for creditors wishing to attend the meeting of creditors.

Whilst creditors will still be afforded the opportunity to attend the meeting physically, this is not encouraged by the Administrators, due to health & safety concerns.

Please contact by email at bardotcreditors@kpmg.com.au at least one business day prior to the meeting to advise that you will be using the teleconference or video conference facilities and to be provided with the relevant access details.

Dated this 17th day of March 2020

Brendan Richards
Administrator

Note: In accordance with IPR Section 75-15(1)(c) please see effect of IPR Section 75-85 Entitlement to vote at meetings of creditors on the following page.

Effect of IPR Section 75-85 – Entitlement to vote at meetings of creditors

1. A person other than a creditor (or the creditor's proxy or attorney) is not entitled to vote at a meeting of creditors.

2. Subject to subsections (3), (4) and (5), each creditor is entitled to vote and has one vote.

3. A person is not entitled to vote as a creditor at a meeting of creditors unless:
   (a) his or her debt or claim has been admitted wholly or in part by the external administrator; or
   (b) he or she has lodged, with the person presiding at the meeting, or with the person named in the notice convening the meeting as the person who may receive particulars of the debt or claim:
      (i) those particulars; or
      (ii) if required—a formal proof of the debt or claim.

4. A creditor must not vote in respect of:
   (a) an unliquidated debt; or
   (b) a contingent debt; or
   (c) an unliquidated or a contingent claim; or
   (d) a debt the value of which is not established;
   unless a just estimate of its value has been made.

5. A creditor must not vote in respect of a debt or a claim on or secured by a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor unless he or she is willing to do the following:
   (a) treat the liability to him or her on the instrument or security of a person covered by subsection (6) as a security in his or her hands;
   (b) estimate its value;
   (c) for the purposes of voting (but not for the purposes of dividend), to deduct it from his or her debt or claim.

6. A person is covered by this subsection if:
   (a) the person's liability is a debt or a claim on, or secured by, a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor; and
   (b) the person is either liable to the company directly, or may be liable to the company on the default of another person with respect to the liability; and
   (c) the person is not an insolvent under administration or a person against whom a winding up order is in force.

C – Appointment of proxy

Form 532 - Appointment of Proxy
Insolvency Practice Rules (Corporations) 2016, Section 75-25

Return to no later than 04:00pm on 24 March 2020 to:
KPMG GPO Box 223, BRISBANE QLD 4001
Tel: +61 3 8663 8203
Email: bardotcreditors@kpmg.com.au

Indebted Company: **Bardot Pty Ltd (Administrators Appointed) ACN 074 147 434**

Date of Appointment: **28 November 2019**

A. Name and Contact Details of Person or Entity Entitled to Attend Meeting

[1]

(if entitled in a personal capacity, given name and surname; if a corporate entity, full name of company, etc)

[2] of

(address)

[3] Tel: [4] Email:

B. Appointment of Person to Act as Proxy

Note: You may nominate "the Chairperson of the meeting" as your proxy (or your alternate proxy in the event that the first-named proxy is not in attendance).

[1] I/We, as named in Section A above, a creditor/employee/contributory/member of the Company, appoint

[2]

(name of person appointed as proxy)

[3] [4] or in his / her absence

(address of person appointed as proxy)

[5]

(name of person appointed as alternate proxy)

[6] [7] as *my / *our proxy

(address of person appointed as alternate proxy)

to vote at the meeting of creditors to be held on **25 March 2020** at 11:00am (AEDT) at Level 36, Tower Two, Collins Square, 727 Collins Square, Melbourne VIC 3008 or at any adjournment of that meeting in accordance with the instructions in Section C below.

C. Voting Instructions

[1] *My / *Our proxy, as named in Section B above, is entitled to act as *my / *our :

☐ [2] **general proxy**, to vote on *my / *our behalf **and / or**

☐ [3] **special proxy,** to vote on *my / *our behalf specifically as follows:

Resolution		For	Against	Abstain
1.	**Deed of Company Arrangement** That, pursuant to Section 439A of the Corporations Act 2001 (the Act), the Company execute a Deed of Company Arrangement, under Part 5.3A of the Act, in the same form as the proposal statement presented to the meeting (even if it differs from the proposed Deed (if any) details of which accompanied the notice of meeting).	☐	☐	☐
2.	**Appointment of Liquidators** That the Company be wound up and Ryan Eagle and Brendan Richards be appointed Joint and Several Liquidators.	☐	☐	☐

Resolution		For	Against	Abstain
3.	**End Voluntary Administration and return Company to Directors' Control** That the Administration should end.	☐	☐	☐
4.	**Appointment of Liquidators (if applicable)** That in the event that the Company is wound up and an alternative Liquidator is proposed, that the existing Liquidators be replaced and *(Alternative Appointee)* be appointed in their stead.	☐	☐	☐
5.	**Committee of Inspection** That a Committee of Inspection appointed at the First Meeting, the members of which are to be determined by the meeting.	☐	☐	☐
6.	**Liquidators' ability to compromise debts (if applicable)** That, pursuant to Section 477(2A) of the Corporations Act 2001, creditors authorise the Liquidators to compromise any debt owed to the Company up to a maximum limit of $100,000.	☐	☐	☐
7.	**Liquidators' ability to enter into agreements (if applicable)** That, pursuant to Section 477(2B) of the Corporations Act 2001, creditors authorise the Liquidators to enter into any agreement on the Company's behalf where: a) the term of the agreement may end; or b) obligations of a party to the agreement may, according to the terms of the agreement, be discharged by performance; more than three months after the agreement is entered into.	☐	☐	☐
8.	**Early Destruction of books and records (if applicable)** That, subject to obtaining the approval of the Australian Securities & Investments Commission (**ASIC**) pursuant to Section 70-35 of Schedule 2 to the Act, the books and records of the Company and of the Liquidators be disposed of by the Liquidators 12 months after the dissolution of the Company or earlier at the discretion of ASIC.	☐	☐	☐
	Voluntary Administration Resolutions (Remuneration)			
9.	**Voluntary Administration (28 November 2019 to 29 February 2020)** That the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 17 March 2020, for the period from 28 November 2019 to 29 February 2020 be fixed in the amount of $2,200,816.50 plus any applicable GST, and may be paid.	☐	☐	☐
10.	**Voluntary Administration (1 March 2020 to 25 March 2020)** That the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 17 March 2020, for the period from 1 March 2020 to 25 March 2020 be fixed up to a maximum amount of $342,000.00 plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.	☐	☐	☐
11.	**Voluntary Administration (25 March 2020 to date of execution of DOCA)** That the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 17 March 2020, for the period	☐	☐	☐

Resolution		For	Against	Abstain
	from 25 March 2020 to date of execution of DOCA be fixed up to a maximum amount of $364,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.			
	Deed of Company Arrangement Resolutions (Remuneration)			
12.	**Deed of Company Arrangement: (Date of execution of DOCA to date of creation of Creditors' Trust)** That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request dated 17 March 2020, for the period from the date of execution of the Deed of Company Arrangement to date of creation of Creditors' Trust be fixed up to a maximum amount of $420,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.	☐	☐	☐
13.	**Creditors' Trust: (Date of creation of Creditors' Trust to completion)** That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request dated 17 March 2020, for the period from the date of execution of the Deed of Company Arrangement to completion be fixed up to a maximum amount of $80,000.00 plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.	☐	☐	☐
	Liquidation Resolutions (Remuneration)			
14.	**Liquidation (25 March 2020 to finalisation)** That the remuneration of the Liquidators, as set out in the Remuneration Approval Request dated 17 March 2020, for the period from 25 March 2020 to finalisation be fixed up to a maximum amount of $620,000.00 plus any applicable GST, but subject to upward revision by resolution of creditors, or the Committee of Inspection should one be appointed, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred.	☐	☐	☐
	Voluntary Administration Resolutions (Internal Disbursements)			
15.	**Voluntary Administration (28 November 2019 to 29 February 2020)** That the internal disbursements of the Administrators, as set out in the Remuneration Approval Request dated 17 March 2020, for the period from 28 November 2019 to 29 February 2020 to be fixed in the amount of $5,446.00 plus any applicable GST, and may be paid.	☐	☐	☐

D. Signature

[1] Dated:

[2] Signature:

[3] Name / Capacity

Creditor Assistance Sheet: Completing a Proxy Form

Section A – Name and Contact Details of Person or Entity Entitled to Attend Meeting

1. Insert the full name of the employee, individual, sole trader, partnership or company that the debt is owed to.
2. Insert the address of the employee, individual, sole trader, partnership or company that the debt is owed to.
3. Insert the telephone number of the employee, individual, sole trader, partnership or company that the debt is owed to.
4. Insert the email address of the employee, individual, sole trader, partnership or company that the debt is owed to.

Section B – Appointment of Person to Act as Proxy

1. Cross out any wording that is **not** applicable. For example, if the employee/individual/sole trader/partnership/company is a creditor, cross out '*eligible employee creditor', '*contributory', '*debenture holder' and '*member'.
2. Insert the name of the person who will be exercising the creditor's vote at the meeting. If someone is attending the meeting in person, that person's name should be inserted. Alternatively, if someone is unable to attend, but you still want to cast a vote at the meeting, then you can appoint the Chairperson of the meeting to vote on your behalf by inserting the words 'the Chairperson' here.
3. Insert the address of the person nominated at (2) that will be attending the meeting as proxy. If you have elected 'the Chairperson' because no one is attending in person, leave this row blank.
4. Cross out any wording that is **not** applicable.
5. If the person you have elected to attend is unavailable on the day, you may nominate a second person to attend in their absence. Alternatively, you can appoint the Chairperson of the meeting to vote on your behalf by inserting 'the Chairperson'.
6. Insert the address of the second person here. If you have elected 'the Chairperson', leave this row blank.
7. Cross out any wording that is not applicable.

Section C – Voting Instructions

1. Cross out any wording that is not applicable.
2. Insert an 'X' in this box if you want the person who is attending the meeting to vote as they see fit on each of the resolutions in the 'Resolution' table. If you select this option, proceed to Section D, **unless** you wish to vote specifically on certain resolutions, in which case you also insert an 'X' in the special proxy box and select 'For', 'Against' or 'Abstain' on the resolutions. The person voting at the meeting will have discretion to vote as they see fit on any resolutions where you have **not** selected 'For', 'Against' or 'Abstain'.
3. Insert an 'X' in this box if you want the person who is attending the meeting, to vote exactly in accordance with your instructions. If you select this option, you must select 'For', 'Against' or 'Abstain' for each of the resolutions in the 'Resolution' table. Do not tick more than one box for each resolution.

Section D – Signature Instructions

1. Insert the date that the proxy form is being signed.
2. The form should be signed by **one** of the following persons:
   - If the debt is owed to an employee/individual, then the individual that the debt is owed to; or
   - If the debt is owed to a sole trader, then the sole trader that the debt is owed to; or
   - If the debt is owed to a partnership, then one of the partners of the partnership; or
   - If the debt is owed to a company, then a duly authorised office of the company (normally a director or secretary of the company).
3. Insert the name of the person signing the form, and note their capacity (that is, their role):
   - If the debt is owed to a sole trader, note their capacity as proprietor, eg: "[Full name], proprietor"; or
   - If the debt is owed to a partnership, note their capacity as partner, eg: "[Full name], partner of the firm named in Section A above"; or
   - If the debt is owed to a company, note their capacity as director or secretary, eg: "[Full name], director/secretary of the company named in Section A above"]

D – Proof of debt

Informal Proof of Debt or Claim Form
Corporations Act 2001, Regulation 5.6.49(2)

Return to:
KPMG GPO Box 223, BRISBANE QLD 4001
Tel: +61 3 8663 8203
Email: bardotcreditors@kpmg.com.au

Indebted Company: Bardot Pty Ltd (Administrators Appointed) ACN 074 147 434

Date of Appointment: 28 November 2019

A. Name and Contact Details of Creditor

[1] (**the Creditor**)

(if in a personal capacity, given name and surname; if a corporate entity, full name of company, etc)

[2] of

(insert address)

[3] Tel: [4] Email:

☐ Tick this box to elect to receive electronic notification of notices or documents, in accordance with Section 600G of the Corporations Act 2001, at the email address specified above.

B. Details of Debt or Claim

[1] Amount owing:

(insert dollars and cents, inclusive of GST if applicable)

[2] Nature of Debt or Claim:

(insert description of debt and/or reference any supporting documentation)

[3] Select one of the following options:

☐ The Creditor is an unsecured creditor of the indebted Company

☐ The Creditor is a secured creditor of the indebted Company

☐ The Creditor is an employee / former employee of the indebted Company

☐ The Creditor is a related party (please indicate: secured / unsecured)

For all claims:

☐ [4] I have attached supporting documentation to substantiate the Creditor's claim *(secured creditors must attach evidence of security)*

☐ [5] To my knowledge or belief the creditor has not, nor has any person by the creditor's order had or received any satisfaction or security for the sum or any part of it except for the following:

(insert details and value of security where relevant)

C. Signature

[1] Dated:

[2] Signature:

[3] Name / Capacity

Creditor Assistance Sheet: Completing a Proof of Debt Form

Section A – Name and Contact Details of Creditor

1. Insert the full name of the employee, individual, sole trader, partnership or company that the debt is owed to.
2. Insert the address of the employee, individual, sole trader, partnership or company that the debt is owed to.
3. Insert the telephone number of the employee, individual, sole trader, partnership or company that the debt is owed to.
4. Insert the email address of the employee, individual, sole trader, partnership or company that the debt is owed to.

Section B – Details of Debt or Claim

1. The amount owing should only include debts or claims which arose prior to the date of appointment.
2. Insert the currency if not Australian dollars.
3. Type of creditor: tick one of the options only.
4. For all claims, ensure supporting documentation is attached, such as invoices, statements, agreements.
5. For secured creditors, insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, indicate "refer attached" above and show them in a schedule in the following form:

Date	Drawer	Acceptor	Amount ($)	Due Date

Section C – Signature Instructions

1. Insert the date that the proof of debt form is being signed.
2. The form should be signed by **one** of the following persons:
   - If the debt is owed to an employee/individual, then the individual that the debt is owed to; or
   - If the debt is owed to a sole trader, then the sole trader that the debt is owed to; or
   - If the debt is owed to a partnership, then one of the partners of the partnership; or
   - If the debt is owed to a company, then a duly authorised office of the company (normally a director or secretary of the company).
3. Insert the name of the person signing the form, and note their capacity (that is, their role):
   - If the debt is owed to a sole trader, note their capacity as proprietor, eg: "[Full name], proprietor"; or
   - If the debt is owed to a partnership, note their capacity as partner, eg: "[Full name], partner of the firm named in Section A above"; or
   - If the debt is owed to a company, note their capacity as director or secretary, eg: "[Full name], director/secretary of the company named in Section A above"]

E – Remuneration approval request

Schedule 2 to the Corporations Act 2001, Section 70-50
Insolvency Practice Rules (Corporations) 2016, Section 70-45

Bardot Pty Ltd (Administrators Appointed) (the Company)
ACN 074 147 434

Remuneration Approval Request

This report contains the following information:
Part 1: Declaration
Part 2: Executive summary
Part 3: Remuneration
Part 4: Disbursements
Part 5: Report on progress of the administration
Part 6: Summary of receipts and payments
Part 7: Questions
Part 8: Approval of remuneration and internal disbursements
Schedule A: Resolutions – Voluntary Administration (28 November 2019 to 29 February 2020)
Schedule B: Resolutions – Voluntary Administration (1 March 2020 to 25 March 2020)
Schedule C: Resolutions – Voluntary Administration (25 March 2020 to the date of the date of execution of the Deed of Company Arrangement
Schedule D: Resolutions – DOCA (Date of execution of DOCA to date of creation of Creditors' Trust)
Schedule E: Resolutions – Creditors' Trust (Date of creation of Creditors' Trust to completion)
Schedule F: Resolutions – Liquidation (25 March 2020 to finalisation)

Next steps for creditors:
Please review the contents of this report, which sets out the resolutions to be approved by creditors at the meeting of creditors on 25 March 2020.

Refer to **Section 2.7** of the Voluntary Administrator's Report dated 17 March 2020 for details as to how you can attend the meeting of creditors in person or by proxy to vote on the resolutions contained in this report.

1 Declaration

We, Ryan Eagle and Brendan Richards of KPMG, have undertaken a proper assessment of this remuneration claim for our appointment as Administrators of the Company in accordance with the Corporations Act 2001 (Cth) (**the Act**), the Australian Restructuring Insolvency & Turnaround Association (**ARITA**) Code of Professional Practice (**the Code**) 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.

2 Executive summary

2.1 Summary of remuneration approval sought for the Company

To date, no remuneration has been approved and paid in the administration of the Company.

This report details approval sought for the following remuneration:

Period	Amount (ex GST) $
Current remuneration approval sought:	
Voluntary administration	
Resolution 9: 28 November 2019 to 29 February 2020	2,200,817
Resolution 10: 1 March 2020 to 25 March 2020	342,000
Resolution 11: 25 March 2020 to the date of the date of execution of the Deed of Company Arrangement	364,000
Total approval sought – voluntary administration*	**2,906,817**
Deed of company arrangement (DOCA) (if applicable)	
Resolution 12: Date of execution of DOCA to date of creation of Creditors' Trust	420,000
Resolution 13: Date of creation of Creditors' Trust to completion	80,000
Total approval sought – deed of company arrangement (if applicable)*	**500,000**
Liquidation (if applicable)	
Resolution 14: 25 March 2020 until completion	620,000
Total approval sought – liquidation (if applicable)*	**620,000**
** 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.*	

Please refer to Part 3 for full details of the calculation and composition of the remuneration approval being sought.

2.2 Summary of internal disbursements approval sought for the Company

To date, no internal disbursements has been approved and paid in the administration of the Company.

This report details approval sought for the following internal disbursements:

Period	Amount (ex GST) $
Current internal disbursements approval sought:	
Voluntary Administration	
Resolution 15: 28 November 2019 to 29 February 2020	5,446
Total current internal disbursements approval sought Voluntary Administration*	**5,446**
** Approval for the future internal disbursements sought is based on an estimate of the internal disbursements necessary to the completion of the Administration, Liquidation or DOCA. Should additional internal disbursements be necessary beyond what is contemplated, further approval may be sought from creditors.*	

Please refer to Part 4 for full details of the calculation and composition of the internal disbursements approval being sought.

2.3 Comparison to estimate of costs provided to creditors in the Initial Remuneration Notice

The remuneration approval sought differs to the estimate of costs provided to creditors in the Initial Remuneration Notice included in our Circular to Creditors dated 29 November 2019, which estimated a cost with the range of $1,000,000 to $1,500,000 plus GST.

The Administrators' remuneration has exceeded the initial estimate as this estimate was prepared on the basis of a standard convening period (i.e. five week period). As the convening period was extended, the additional duration of the Administration has resulted in additional remuneration being incurred.

We note that the further work performed during the extended convening period was necessary in order to achieve the best outcome for creditors.

3 Remuneration

3.1 Remuneration claim resolutions

We will be seeking approval of the following resolutions with respect to remuneration. Details to support these resolutions are included in Part 3.2.

3.1.1 Voluntary Administration: 28 November 2019 to 29 February 2020

Resolution 9:

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 17 March 2020, for the period from 28 November 2019 to 29 February 2020 be fixed in the amount of $2,200,816.50, plus any applicable GST, and may be paid."

3.1.2 Voluntary Administration: 1 March 2020 to 25 March 2020

Resolution 10:

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 17 March 2020, for the period from 1 March 2020 to 25 March 2020 to be fixed up to a maximum amount of $342,000.00 plus any applicable GST, but subject to upward revision by resolution of creditors or the Committee of Inspection, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."

3.1.3 Voluntary Administration: 25 March 2020 to the date of the date of execution of the Deed of Company Arrangement

Resolution 11:

"That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request dated 17 March 2020, for the period from 25 March 2020 to the date of execution of the Deed of Company Arrangement to be fixed up to a maximum amount of $364,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors or the Committee of Inspection, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."

3.1.4 DOCA (if applicable): Date of execution of DOCA to date of creation of Creditors' Trust

Resolution 12:

"That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request dated 17 March 2020, for the period from date of execution of DOCA to date of creation of Creditors' Trust to be fixed up to a maximum amount of $420,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors or the Committee of Inspection, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."

3.1.5 Creditors' Trust (if applicable): Date of creation of Creditors' Trust to completion

Resolution 13:

"That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request dated 17 March 2020, for the period from date of creation of Creditors' Trust to completion to be fixed up to a maximum amount of $80,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors or the Committee of Inspection, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."

3.1.6 Liquidation (if applicable): 25 March 2020 to finalisation

Resolution 14:

"That the remuneration of the Liquidators, as set out in the Remuneration Approval Request dated 17 March 2020, for the period from 25 March 2020 until completion be fixed up to a maximum amount of $620,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors or the Committee of Inspection, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred."

3.2 Details of remuneration

The basis of calculating the remuneration claims are set out below, including the details of the major tasks performed and the costs associated with each of those major tasks.

3.2.1 Resolution 9: 28 November 2019 to 29 February 2020

The below table sets out time charged to each major task area performed by the Administrators and their staff for the period 28 November 2019 to 29 February 2020, which is the basis of the Resolution 1 claim. Please refer to Schedule A for further details with respect to the tasks performed.

					Assets		Creditors		Trade On		Investigations		Administration		Employees	
Employee	Position	Rate (ex GST)	Total hours	Total ($)	Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$
Eagle Ryan	Appointee	695	30.90	21,475.50	1.0	695.00	4.70	3,266.50	16.10	11,189.50	-	-	9.10	6,324.50	-	-
Richards Brendan	Appointee	695	126.50	87,917.50	-	-	-	-	126.50	87,917.50	-	-	-	-	-	-
Hardy David	Partner	695	104.80	72,836.00	5.9	4,100.50	2.80	1,946.00	66.20	46,009.00	-	-	29.90	20,780.50	-	-
Bastow Richard	Director	625	212.00	132,500.00	40.0	25,000.00	6.00	3,750.00	160.00	100,000.00	0.30	187.50	5.70	3,562.50	-	-
Hardy David	Director	625	177.40	110,875.00	10.2	6,375.00	11.90	7,437.50	155.30	97,062.50	-	-	-	-	-	-
Taylor Samantha	Director	625	64.30	40,187.50	58.1	36,312.50	-	-	-	-	-	-	6.20	3,875.00	-	-
Bongers Michael	Associate Director	575	39.00	22,425.00	-	-	-	-	-	-	4.20	2,415.00	34.80	20,010.00	-	-
Mazzone David	Associate Director	575	217.00	124,775.00	14.9	8,567.50	-	-	9.50	5,462.50	-	-	1.00	575.00	191.60	110,170.00
Pitt Greg	Associate Director	575	192.30	110,572.50	-	-	89.00	51,175.00	1.10	632.50	56.30	32,372.50	45.90	26,392.50	-	-
Austin Thomas	Manager	525	265.20	139,230.00	13.0	6,825.00	8.60	4,515.00	237.70	124,792.50	4.00	2,100.00	1.90	997.50	-	-
Feldman Anthony	Manager	525	54.00	28,350.00	-	-	-	-	-	-	54.00	28,350.00	-	-	-	-
Shii Julian	Manager	525	259.00	135,975.00	-	-	-	-	259.00	135,975.00	-	-	-	-	-	-
Tsaptsalis Nicholas	Manager	525	531.30	278,932.50	4.0	2,100.00	8.50	4,462.50	511.50	268,537.50	-	-	3.30	1,732.50	4.00	2,100.00
Bailey Harrison	Executive	450	367.80	165,510.00	-	-	145.50	65,475.00	3.20	1,440.00	-	-	14.30	6,435.00	204.80	92,160.00
Edmonstone Riley	Executive	450	29.30	13,185.00	-	-	4.40	1,980.00	0.40	180.00	4.50	2,025.00	20.00	9,000.00	-	-
Hutchison Kate	Executive	450	383.80	172,710.00	-	-	7.00	3,150.00	362.50	163,125.00	-	-	14.30	6,435.00	-	-
Immanuel Rica	Executive	450	339.90	152,955.00	100.8	45,360.00	3.20	1,440.00	234.50	105,525.00	-	-	-	-	1.40	630.00
Munro Campbell	Executive	450	148.50	66,825.00	0.5	225.00	23.50	10,575.00	99.80	44,910.00	23.00	10,350.00	0.70	315.00	1.00	450.00
Nicolaci Christopher	Executive	450	33.10	14,895.00	-	-	10.00	4,500.00	6.70	3,015.00	-	-	8.80	3,960.00	7.60	3,420.00
Barilo Julie	Analyst	375	91.60	34,350.00	85.2	31,950.00	3.40	1,275.00	-	-	-	-	3.00	1,125.00	-	-
Fragnito Francesca	Analyst	375	43.50	16,312.50	-	-	1.50	562.50	-	-	-	-	42.00	15,750.00	-	-
Imperial-Pow ers Regine	Analyst	375	39.50	14,812.50	3.2	1,200.00	2.00	750.00	9.20	3,450.00	-	-	24.10	9,037.50	1.00	375.00
Lloyd Alexandra	Analyst	375	171.80	64,425.00	-	-	100.00	37,500.00	5.30	1,987.50	50.60	18,975.00	15.70	5,887.50	0.20	75.00
Mullett Emily	Analyst	375	60.70	22,762.50	6.3	2,362.50	-	-	-	-	-	-	51.90	19,462.50	2.50	937.50
Muscari Philip	Analyst	375	103.40	38,775.00	-	-	9.00	3,375.00	89.90	33,712.50	1.50	562.50	0.50	187.50	2.50	937.50
Vogel Gillian	Analyst	375	16.70	6,262.50	-	-	4.20	1,575.00	12.00	4,500.00	-	-	0.50	187.50	-	-
Bishop Claudia	Team Administrator	250	120.80	30,200.00	55.4	13,850.00	10.30	2,575.00	48.10	12,025.00	-	-	7.00	1,750.00	-	-
Foley Hamish	Team Administrator	250	21.80	5,450.00	-	-	12.30	3,075.00	-	-	9.50	2,375.00	-	-	-	-
Mcconalogue Hannah	Team Administrator	250	272.00	68,000.00	-	-	-	-	272.00	68,000.00	-	-	-	-	-	-
To Amy	Team Administrator	250	29.20	7,300.00	3.5	875.00	-	-	25.70	6,425.00	-	-	-	-	-	-
Total			**4,547.10**	**2,200,781.50**	**402.00**	**185,798.00**	**467.80**	**214,360.00**	**2,712.20**	**1,325,873.50**	**207.90**	**99,712.50**	**340.60**	**163,782.50**	**416.60**	**211,255.00**
GST				220,078.15		18,579.80		21,436.00		132,587.35		9,971.25		16,378.25		21,125.50
Total (incl. GST)				**2,420,859.65**		**204,377.80**		**235,796.00**		**1,458,460.85**		**109,683.75**		**180,160.75**		**232,380.50**
Average hourly rate				**532.40**		**508.40**		**504.05**		**537.74**		**527.58**		**528.95**		**557.80**

3.2.2 Resolution 10: 1 March 2020 to 25 March 2020

The below table sets out the expected costs for the major tasks likely to be performed by the Administrators and their staff for the period 29 February 2020 to 25 March 2020 which is the basis of the Resolution 2 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount $
Assets	77	36,000
Creditors	92	43,200
Employees	78	38,800
Trade on	396	188,000
Investigation	16	6,400
Administration	71	29,600
Total	**730**	**342,000**

3.2.3 Resolution 11: 25 March 2020 to the date of execution of the Deed of Company Arrangement

The below table sets out the expected costs for the major tasks likely to be performed by the Deed Administrators and their staff for the period from 25 March 2020 to the date of the date of execution of the Deed of Company Arrangement which is the basis of the Resolution 3 claim. Please refer to Schedule C for further details with respect to the tasks likely to be performed.

Task	Hours	Amount $
Assets	68	34,860
Creditors	82	41,090
Employees	68	37,800
Trade on	445	217,980
Administration	53	32,270
Total	**716**	**364,000**

3.2.4 Resolution 12: DOCA period (Date of execution of DOCA to date of creation of Creditors' Trust)

The below table sets out the expected costs for the major tasks likely to be performed by the Deed Administrators and their staff for the period from Date of execution of DOCA to date of execution of Creditors' Trust which is the basis of the Resolution 4 claim. Please refer to Schedule C for further details with respect to the tasks likely to be performed.

Task	Hours	Amount $
Assets	74	38,200
Creditors	95	47,500
Employees	73	36,954
Trade on	530	259,146
Administration	61	38,200
Total	**833**	**420,000**

3.2.5 Resolution 13: DOCA period (Date of creation of Creditors' Trust to completion)

The below table sets out the expected costs for the major tasks likely to be performed by the Deed Administrators and their staff for the period from date of execution of Creditors' Trust to completion which is the basis of the Resolution 5 claim. Please refer to Schedule C for further details with respect to the tasks likely to be performed.

Task	Hours	Amount $
Creditors	35	20,000
Employees	52	30,000
Trade on	5	1,500
Dividend	34	16,500
Administration	13	12,000
Total	**139**	**80,000**

3.2.6 Resolution 14: Liquidation period (25 March 2020 to finalisation)

The below table sets out the expected costs for the major tasks likely to be performed by the Liquidators and their staff for the period from 25 March 2020 to completion which is the basis of the Resolution 4 claim. Please refer to Schedule D for further details with respect to the tasks likely to be performed.

Task	Hours	Amount $
Assets	92	42,550
Creditors	132	176,625
Employees	173	63,000
Trade on	302	146,950
Investigation	127	47,250
Dividend	202	80,625
Administration	173	63,000
Total	**1,201**	**620,000**

3.3 Total remuneration reconciliation

3.3.1 Future remuneration requests

In preparing this report, we have made our best estimate at what we believe the administration will cost to complete and we do not anticipate that we will have to ask creditors to approve any further remuneration. However, should the administration not proceed as expected, we will advise creditors and we may seek approval of further remuneration and provide details on why the remuneration has changed. Matters that may affect the progress and the cost of the administration, include:

- The finalisation of all outstanding trading issues and accounts;
- The level of work required to investigate and subsequently pursue any potential recoveries from action available to the liquidators (if appointed)

3.4 Likely impact on dividends

The Act sets the order for payment of claims against the company and it provides for remuneration of administrator to be paid in priority to other others. This is to ensure that when there are sufficient funds, the administrator receives payment for the work completed to recover assets, investigate the company's affairs, report to creditors and ASIC and distribute available funds. Even if creditors approve an administrators' remuneration, this will not guarantee that the administrator is paid, as the administrator will only be paid if there are sufficient assets to be recovered.

Any dividend to creditors will also be impacted by the amount of assets that the administrator is able to recover and the amount of creditor claims that are admitted to participate in any dividend, including claims by priority creditors such as employees.

Please refer to **Section 10** of the Voluntary Administrators' Report to creditors dated <insert date> for further information around likely return to creditors.

4 Disbursements

4.1 Types of disbursements

Disbursements are divided into three types:

- Externally provided professional services. These are recovered at cost. An example is legal fees.
- Externally provided non-professional costs such as travel, accommodation and search fees. These disbursements 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; although if a data room is utilised, the fee will comprise an initial setup fee and then a fee based on the duration and size of the data room or the number of users per month. Certain services provided by KPMG may require the processing of electronically stored information into specialist review platforms. Where these specialist resources are utilised, the fee will be based on units (e.g. number of computers), size (e.g. per gigabyte) and/or period of time (e.g. period of hosting). The relevant rates for internal disbursements are set out below:

Disbursement type	Charges (excl GST)
Advertising	At cost
ASIC industry funding model levy – metric events	At prescribed ASIC rates
Couriers	At cost
Data room set-up	$450.00
Data room hosting – Option A	Variable – see separate table below
Data room hosting – Option B (incl 100GB of data)	$84.95 per user per month
eDiscovery services	Variable
Photocopying / printing (colour)	$0.50 per page
Photocopying / printing (mono)	$0.20 per page
Photocopying / printing (outsourced)	At cost
Postage	At cost
Searches	At cost
Staff travel reimbursement	Up to $100/day
Staff vehicle use	At prescribed ATO rates
Storage and storage transit	At cost
Telephone calls	At cost

Note: Above rates are applicable for the financial year ending 30 June 2020. Disbursements charged at cost do not require creditor approval.

Data room hosting fees by size (MB)	Charges per month (excl GST)
0-300	$950
300-1000	$950 + $2.50/MB
1000-5000	$2,500 + $1.25/MB
5000+	$7,500 + $0.60/MB

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

We will be seeking creditor approval to pay our internal disbursements from creditors.

4.2 Disbursements paid from the administration to KPMG to date

There have been no disbursements paid from the administration to KPMG to date. Future disbursements provided by KPMG will be charged to the administration on the same basis as the table in Part 4.1.

4.3 External disbursement claim

Externally provided, non-professional disbursements incurred for the period 28 November 2019 to 29 February 2019 which have not yet been paid, but do not require creditor approval, include:

Externally provided non-professional disbursements	Total (excl. GST) $
Advertising	8,739
Bardot staff travel	2,023
Employee incentives	4,841
Information technology, stationery & suppliers	14,233
Meeting room hire	2,575
Postage	123
Staff amenities	3,563
Total	**36,097**

4.4 Internal disbursement claim resolutions

We will be seeking approval of the following resolution with respect to our internal disbursements.

The following internal disbursements have been claimed by our firm, KPMG, for the period 28 November 2019 to 29 February 2020, which is the basis of the Resolution 16 claim.

Disbursement claims	Basis	Total (excl. GST) $
Electronic File Storage		
User access	$150 per month	450
Active Storage (250.8 gigabyte)	$20 per gigabyte, per month	5,016
Total		**5,466**

4.4.1 Retrospective internal disbursement claim - Voluntary Administration: 28 November 2019 to 29 February 2020

Resolution 15:

"That the internal disbursements of the Administrators, as set out in the Remuneration Approval Request dated 17 March 2020, for the period from 28 November 2019 to 29 February 2020 be fixed in the amount of $5,446 plus any applicable GST, and may be paid."

5 Report on progress of the administration

The Remuneration Approval Request must be read in conjunction with the Voluntary Administrators' Report to creditors dated 17 March 2020 which outlines the progress of the administration.

6 Summary of receipts and payments

A summary of receipts and payments for the period 28 November 2019 to 29 February 2020 is set out in **Annexure A** to the Voluntary Administrators' Report to creditors dated 17 March 2020.

7 Approval of remuneration and internal disbursements

For information about how approval of the resolutions for remuneration and internal disbursements will be sought, refer to **Section 2.8** of the Voluntary Administrators' Report to creditors dated 17 March 2020.

8 Questions

If you require further information in respect of the above, or have other questions, please contact Alexandra Lloyd of this office on +61 3 8626 0959 or by email at bardotcreditors@kpmg.com.au.

The restructuring partners of KPMG are members of ARITA. KPMG follows the Code. A copy of the Code may be found on the ARITA website at www.arita.com.au.

An information sheet concerning approval of remuneration in external administrations can also be obtained from the Australian Securities & Investments Commission website at www.asic.gov.au.

Dated this 17th day of March 2020

Brendan Richards
Administrator

Schedule A – Resolution 9

The below table contains more detailed descriptions of the tasks performed within each task area performed by the Administrators and their staff for the period 28 November 2019 to 29 February 2020, which is the basis of the Resolution 9 claim in section 2.2.

Task area	General description	Includes
Assets **402.0 hours** **$185,798.00** **(excl GST)**	Sale of business as a going concern	- Liaising with Deloitte in establishment of and management of data room - Planning for sale of business strategy - Liaising with Deloitte regarding interested parties - Assessment of offers received
	Plant and equipment	- Liaising with valuers and auctioneers - Develop and implement specific sale strategies for plant and equipment tranches - Identification of assets and appropriate sale strategy - Internal meeting regarding current leased/hire plant and equipment
	Assets subject to specific charges	- Reviewing validity of PPSR security registrations - Internal meeting to discuss the validity of registered security interests - Conducting analysis reviewing PPSR registrations - Liaising with holders of PMSI claims - Tasks associated with the realisation of assets subject to securities - Analyse of stock positions for negotiations with PPSR holders - Extensive communication with PPSR holders regarding claims
	Debtors	- Reviewing and assessing debtors' ledgers and credit notes - Liaising with onsite finance team regarding debtor collection - Review of bank statements for debtors collections - Liaising with debtors regarding overdue amounts outstanding - Incorporation of debtors into administration cash flow forecast
	Stock / Inventory	- Review of stock take procedures - Conducting inventory analysis to determine inventory level at the date of appointment and breakdown of inventory - Reviewing current inventory levels

Task area	General description	Includes
		- Review of stock holdings by location and arrangement movement as required - Liaising with suppliers for purchase of additional stock - Conducting inventory analysis to forecast stock use over the coming months - Conducting analysis of realisable value of stock in liquidation scenario - Monitoring daily sales and associated reporting - Liaising with Gordon Brothers regarding realisation of stock - Liaised with Gordon Brother to assist with the progressive shut down of stores nationally
	Other assets	- Tasks associated with disclaiming assets - Liaising with various stakeholders regarding the continued use of leased assets
	Leasing	- Facilitating meeting with landlords - Reviewing leasing documents - Negotiations with lessees - Disclaiming of leases
Creditors **467.80 hours** **$214,360.00** **(excl GST)**	Creditor enquiries, requests and directions	- Receive and respond to creditor enquiries via telephone and email - Preparation of initial correspondence to creditors - Review and prepare initial correspondence to creditors and their representative's - Preparation of creditor portal on KPMG website - Liaising with creditors regarding setting up new accounts - Review creditors listing provided and ensure all addresses and contact details are appropriate - Preparation of correspondence to committee of inspection members (COI's) regarding their responsibilities and obligations - Monitoring functional mailboxes and distributing correspondence received accordingly - Maintaining register of COI members who have returned their confidentiality agreements
	Retention of title claims	- Search to the PPSR register - Facilitating enquiries received from creditors regarding stock - Receive completed retention of tile claim forms - Adjudicate retention of title claim

Task area	General description	Includes
	Secured creditor reporting	- Notifying PPSR registered creditors of appointment - Meeting with secured creditors to provide update regarding appointment - Preparing reports to secured creditor - Responding to secured creditor queries - Detailed analysis of security review
	Creditor reports	- Preparing initial circular to creditors - Preparing circular to creditors regarding the extension to the convening period - Drafting Voluntary Administrators' report to creditors pursuant to s75-225 of the Insolvency Practice Schedule
	Dealing with proofs of debt	- Receipting and filing proofs of debt - Reviewing proofs of debt received - Maintenance of proof of debt register - Requests to creditors for further information regarding their proofs of debt, where required.
	Meeting of creditors	- Preparation of first meeting notices, proxies and advertisements - Forward notice of first meeting to all known creditors - Preparation of first meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting - Preparation of summary table of proxies received from creditors - Distribution of conference all facilities to creditors - Preparation and lodgement of minutes of first meeting ASIC - Respond to stakeholder queries and question immediately following meeting
Employees **416.60 hours** **$211,255.00** **(excl GST)**	Employee enquiries	- Convene employee meetings to address broader enquiries regarding ongoing trading - Maintain ongoing employee correspondence - Maintaining and managing functional mailbox for employee enquiries - Preparation of various employee termination letter
	Fair Entitlements Guarantee (**FEG**)	- Correspondence and updated to FEG

Task area	General description	Includes
	Calculation of entitlements	- Calculating pre appointment employee entitlements - Reviewing employee records, awards, contacts and other specific arrangements - Correspondence with employees regarding entitlements and responding to related queries
	Workers compensation claims	- Correspondence with workers compensation insurer regarding appointment of administrators - Review of workers compensation insurance premiums - Preparation of wage declarations for actual and estimated wages - Processing workers compensation claims
	Other employee issues	- Correspondence with Child Support - Correspondence with Centrelink - Correspondence with ATO regarding PAYG obligations and requirements - Review of Director employment contracts
Trade on **2,712.2 hours** **$1,325,873.50** **(excl GST)**	Trade-on management	- Attendance at site - Correspondence and liaison in relation to suppliers, management and employees - Liaising with suppliers regarding creation of Administrator trading accounts - Completion of new credit application for opening of new accounts - Review of major contracts and negotiated terms of trade with various suppliers - Liaising with relevant statutory bodies - Implementation of an administration purchase order system and completion of purchase order where requested by staff - Regular calls with key customers on status of administration, sale / recapitalisation campaign, orders and new orders - Review and authorisation of purchase orders - Maintaining purchase order registry - Preparing and authorising receipt and payment vouchers - Reviewing daily sales and stock take reviews - Processing fortnightly payroll - Planning store closure strategy - Correspondence with landlord advising of appointment

Task area	General description	Includes
		- Development of landlord negotiation strategy - Review of monthly landlord position and payments - Development of media strategy to support trading - Issue media releases nationally and locally to help drive sales - Responding to customer queries via phone and email - Consideration of gift card and credit note policies and communication of same - Consideration of refund and return polices and communication of dame - Dealing with customer order concern and queries - Reviewed the procedures of the IT services and back up processed - Implementation of banking and management control procedures.
	Processing receipts and payments	- Entering receipts and payments into accounting system - Entering supplier details into MYOB - Reconciliation of bank account
	Budgeting and financial reporting	- Development of a trading period cash flow forecast - Updates to the estimated statement of position for recoveries and creditor claims - Monitoring of cash flow forecasts - Planning and review of trade on strategy - Preparation of budgets - Preparation off regular financial reports and updates - Meeting to discuss trading position
Investigation **207.9 hours** **$99,733.50** **(excl GST)**	Conducting investigation	- Secure company books and records - Undertaking forensic image of computer servers and computers of key management personnel - Reviewing Group's books and records - Review and consideration of creditor statutory demands and payment plan - Review of bank transaction for prior 12 months of all bank accounts - Preparing summary of large transaction and round sum figure for further enquiry and comment - Review of documentation provided from the ATO in response to our request for documentation - Undertaking statutory investigations

Task area	General description	Includes
		- Conducting and summarising statutory searches - Preparation of insolvent trading and voidable transaction investigation file note - Reviewing management information supplied - Review Director's ROCAP - Consideration of the indicators of insolvent and possible insolvent trading claims - Preparation and review of historical financial performance and ratio analysis - Consideration of historical profit and loss and balance sheet
Administration **340.6 hours** **$163,796.50** **(excl GST)**	Correspondence	- Preparation of initial correspondence to energy providers, telecommunication providers and landlord - Reviewing functional mailbox and distributing and actions emails received accordingly - Preparation of correspondence to Director regarding extension to lodge ROCAP - Preparation of documentation for extension to - convening period
	Document maintenance / file review / checklist	- Preparation of file note regarding requirements of court order in relation to extension to convening period - Filing of documents and emails - Updating and maintaining checklists
	Insurance	- Correspondence with insurance brokers - Preparation of insurance application forms - Correspondence with insurers regarding initial and ongoing insurance requirements - Reviewing insurance policies
	Bank account administration	- Preparing correspondence opening and closing accounts - Preparing correspondence requesting transfer of funds - Requesting bank statements - Bank account reconciliations
	ASIC forms	- Preparing and lodging ASIC forms (505 and meeting minutes from first meeting of creditors)
	ATO and other statutory reporting	- Notification of appointment - Preparing BASs - Liaising with ATO regarding outstanding debt

Task area	General description	Includes
		- Liaising with the ATO regarding the initial meeting of creditors, and information request relevant to statutory investigations
	Planning / review	- Discussions regarding strategy of administration - Internal meeting regarding status of administration and urgent tasks that require action

Schedule B – Resolution 10

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period 1 March 2020 to 25 March 2020, which is the basis of the Resolution 10 claim in section 3.2.2:

Task area	General description	Includes
Assets **77 hours** **$36,000.00** **(excl GST)**	Plant and equipment	- Liaising with valuers and auctioneers - Internal meeting regarding current leased/hire plant and equipment
	Assets subject to specific charges	- Correspondence with secured parties to finalise adjudication of PPSR registration - Negotiation with retention of title suppliers
	Debtors	- Liaising with debtors regarding overdue amounts outstanding - Incorporation of debtors into administration cash flow forecast
	Stock / Inventory	- Reviewing current inventory levels - Review of stock holdings by location and arrangement movement as required - Liaising with suppliers for purchase of additional stock - Conducting analysis of realisable value of stock in liquidation scenario - Monitoring daily sales and associated reporting - Liaising with Gordon Brother regarding stock realisation strategy
	Leasing	- Facilitating meeting with landlords - Liaising with landlords regarding final accounts and reconcile account payable - Disclaiming of leases
Creditors **92 hours** **$43,200.00** **(excl GST)**	Creditor enquiries, requests and directions	- Receive and respond to creditor enquiries via telephone and email - Consider reasonableness of creditor requests - Maintain and manage functional mailboxes for creditor enquiries - Review and prepare correspondence to creditors and their representatives
	Secured creditor reporting	- Correspondence with liaising with secured creditor - Preparation of reports and updated to secured creditors

Task area	General description	Includes
	Creditor reports	- Drafting Voluntary Administrators' report to creditors pursuant to s75-225 of the Insolvency Practice Schedule
	Dealing with proofs of debt	- Receipting and filing proofs of debt - Reviewing proofs of debt received - Maintenance of proof of debt register - Requests to creditors for further information regarding their proofs of debt, where required. - Adjudication of proofs of debts for voting purposes only
	Meeting of creditors	- Preparation of second meeting notices, proxies and advertisements - Forward notice of second meeting to all known creditors - Preparation of second meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting - Preparation of summary table of proxies received from creditors - Distribution of conference all facilities to creditors - Attendance at second meeting of creditors - Responding to stakeholders queries regarding the second meeting of creditors
Employees **78 hours** **$38,800.00** **(excl GST)**	Employee enquiries	- Ongoing employee correspondence
	Calculation of entitlements	- Finalisation of employee entitlements - Review employee records, awards and arrangements - Correspondence with employees regarding entitlements and respond to related queries
	Workers compensation claims	- Identification of issues requiring insurer's attention - Preparation of wage declaration for actual and estimated wages - Correspondence with insurers regarding ongoing workers compensation requirements
	Other employee issues	- Correspondence with Child Support - Correspondence with Centrelink

Task area	General description	Includes
		- Correspondence with ATO regarding PAYG obligations and requirements
Trade on **396.0 hours** **$188,000.00** **(excl GST)**	Trade-on management	- Correspondence and liaising with suppliers, management and employees - Attendance at head office - Liaising with ATO, state revenue office, insurance brokers etc - Organising store closures - Liaising with suppliers in relation to obtaining final invoices - Matching invoices received to purchase orders and prepare payment of invoices
	Processing receipts and payments	- Entering receipts and payments into accounting system - Entering supplier details into MYOB - Reconciliation of bank account - Processing supplier and landlord payments
	Budgeting and financial reporting	- Updates to estimated statement of position for recoveries and creditor claims - Monitoring of cash flow forecasts - Preparing of regular financial reports and updates - Ongoing meetings to discuss trading position and wind-down of operations
Investigation **16.0 hours** **$6,400.00** **(excl GST)**	Conducting investigation	- Finalisation of statutory investigations - Updated report to creditors with details of investigations
Administration **71 hours** **$29,600.00** **(excl GST)**	Correspondence	- Attend to general correspondence
	Document maintenance / file review / checklist	- File reviews - Updating and reviewing checklists - Filing of documents
	Insurance	- Correspondence with insurance brokers regarding ongoing insurance requirements
	Bank account administration	- Bank account reconciliations - Correspondence with bank account provide
	ASIC forms	- Preparing and lodging ASIC forms - Notification to ASIC of second meeting
	ATO and other statutory reporting	- Correspondence with ATO

Task area	General description	Includes
		- Preparing BASs
	Planning / review	- Discussions regarding strategy of administration - Internal meeting regarding status of administration and urgent tasks that require action - Finalisation of administration tasks

Schedule C – Resolution 11

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Deed Administrators and their staff for the period from 25 March 2020 to execution of Deed of Company Arrangement, which is the basis of the Resolution 11 claim in section 3.2.3:

Task area	General description	Includes
Assets **68.0 hours** **$34,860.00** **(excl GST)**	Sale of business	- Internal staff discussion and meeting regarding finalisation of the sale process and transition to DOCA - Executing DOCA and creating a Creditors' Trust - Discussion and meeting with management regarding the transition of business with the purchaser
	Debtors	- Discussion with management regarding debtors - Correspondence with debtors - Reviewing and assessing debtors' ledger
	Stock	- Continued monitoring of stock - Reviewing purchase order in progress - Liaising with staff regarding stock - Renewing and issue purchase orders
	Leasing	- Reviewing leasing commitments/documents - Reviewing rent calculations - Liaising with landlords and lessors and attending to leasing matters required for trading - Liaising with landlord regarding finalisation of leasing matters in the administration
Creditors **82.0 hours** **$41,090.00** **(excl GST)**	Creditor enquiries, requests and directions	- Receiving and following up creditor enquiries via telephone and email
	Secured creditor reporting	- Correspondence with liaising with secured creditor - Preparation of reports and updated to secured creditors
	Dealing with proofs of debt	- Receipting and filing POD when not related to a dividend
Employees	Employee enquiries	- Receiving and following up employee enquiries - Reviewing and preparing correspondence to employees

Task area	General description	Includes
68.0 hours $37,800.00 (excl GST)		- Liaising with staff regarding the ongoing employment - Assessing staffing requirements in store
	Calculation of entitlements	- Reconciling superannuation accounts - Liaising with employees regarding their employee entitlements
Trade on **445.0 hours $217,980.00 (excl GST)**	Trade-on management	- Liaising with supplier regarding ongoing trading - Liaising with management and staff regarding ongoing trade - Authorising purchase orders and maintaining purchase order registry - Reviewing trading performance - Addressing general trading issues
	Processing receipts and payments	- Preparing and authorising receipt vouchers - Preparing and authorising payment vouchers - Entering receipts and payments into accounting system - Reviewing supplier payments
	Budgeting and financial reporting	- Reviewing the Company's budgets, performance and cash flow - Preparing, reviewing and monitoring cash flow - Meetings to discuss trading position
Administration **53.0 hours $32,270.00 (excl GST)**	Correspondence	- Preparing general correspondence to key stakeholders
	Document maintenance / file review / checklist	- Filing documents - File review - Updating checklists
	Insurance	- Liaising with insurance broker regarding ongoing queries - Liaising with insurance broker to finalise insurance during trading period and realise any refunds due
	Bank account administration	- Liaising with bank regarding sweeps and transfers - Regular check of bank balance - Bank account reconciliation

Task area	General description	Includes
	ASIC forms	- Finalising and lodging minutes of the second meeting of creditors
	Planning / review	- Holding discussion regarding status of administration

Schedule D – Resolution 12

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Deed Administrators and their staff for the period from date of execution of DOCA to date of creation of Creditors' Trust, which is the basis of the Resolution 12 claim in section 3.2.4:

Task area	General description	Includes
Assets **73.5 hours** **$38,200.00** **(excl GST)**	Sale of business	- Internal staff discussions and meeting regarding DOCA execution - Ongoing discussion with the purchaser and his solicitor regarding the DOCA and the Creditors' Trust - Conducting task associated with the execution of the DOCA
	Debtors	- Discussion with management regarding debtors - Correspondence with debtors - Reviewing and assessing debtors' ledgers
	Stock	- Continued monitoring of stock - Reviewing purchase order in progress - Liaising with staff regarding stock - Renewing and issue purchase orders
	Leasing	- Reviewing rent calculations - Liaising with the landlords and lessors and attending to leasing matter required for trading
Creditors **95.0 hours** **$47,500.00** **(excl GST)**	Creditor enquiries, requests and directions	- Receive and respond to creditor enquiries - Maintaining creditor request log - Compiling information requested by creditors
	Creditor reports	- Circular to creditors regarding the execution of DOCA - Circular to creditors regarding the effectuation of the DOCA and creation of the Creditors' Trust
	Dealing with proofs of debt	- Receipting and filling proofs of debt when not related to a dividend

Task area	General description	Includes
Employees **73.1 hours** **$36,954.40** **(excl GST)**	Employee enquiries	- Receive and follow up employee enquiries via telephone and emails - Review and prepare correspondence to creditors and their representatives via email and post
	Calculation of entitlements	- Reconciling superannuation accounts - Liaising with employees regarding their employment entitlements
	Other employee issues	- Liaising with OSR regarding payroll tax issues
Trade on **530.0 hours** **$259,145.60** **(excl GST)**	Trade-on management	- Liaising with the purchaser regarding transition of accounts - Liaising with suppliers regarding ongoing trading - Liaising with management and staff - Authorising purchase orders
	Processing receipts and payments	- Entering receipt and payments into accounting system - Preparing and authorising receipt vouchers - Preparing and authorising payment vouchers
	Budgeting and financial reporting	- Reviewing Company's budgets and financial statements - Preparing budgets - Finalising trading profit of loss - Meetings to discuss trading position
Administration **61.1 hours** **$38,200.00** **(excl GST)**	Correspondence	- General correspondence
	Document maintenance / file review / checklist	- Filing of documents - Updating checklists - File reviews
	Bank account administration	- Preparing correspondence opening and closing bank accounts - Requesting bank statements - Bank account reconciliation
	ASIC forms	- Preparing and lodging ASIC forms - Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	- Notification of appointment
	Planning / review	- Discussion regarding status / strategy of administration

Schedule E – Resolution 13

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Deed Administrators and their staff for the period from date of creation of Creditors' Trust to completion, which is the basis of the Resolution 13 claim in section 3.2.5:

Task area	General description	Includes
Creditors **35.3 hours** **$20,000.00** **(excl GST)**	Creditor enquiries, requests and directions	- Receive and respond to creditor enquiries - Maintaining creditor request log - Review and prepare circular to creditors regarding the creation of Creditors' Trust - Review and prepare circular to creditors regarding the completion of Creditors' Trust - Documenting creditor requests - Considering reasonableness of creditor requests - Obtaining legal advice on requests - Documenting reasons for complying or not complying with requests or directions - Compiling information requested by creditors
Employees **52.3 hours** **$30,000.00** **(excl GST)**	Employee enquiries	- Receive and follow up employee enquiries via telephone and email - Maintain employee enquiry registry - Review and prepare correspondence to employees
	Employee dividend	- Correspondence with employees regarding dividend - Correspondence with ATO regarding SGC proof of debt - Calculating dividend rate - Preparing dividend file note - Advertising dividend notice - Preparing distribution - Receipting and adjudicating proofs of debt - Ensuring PAYG is remitted to ATO
Trade on **4.5 hours** **$1,500.00** **(excl GST)**	Trade-on management	- Liaising with the purchaser regarding finalisation of accounts - Internal staff discussions and meeting regarding the finalisation of accounts

Task area	General description	Includes
		- Discussions and meetings with management regarding transition of business with the purchaser
	Processing receipts and payments	- Finalising receipts and payment vouchers (if any) - Entering receipts and payments into accounting system - Finalisation of bank account to attend to distribution
Dividend **34.1 hours** **$16,500.00** **(excl GST)**	Dividend procedures	- Preparing of correspondence to beneficiaries advising of intention to declare dividend - Advertisement of intention to declare dividend - Preparation of dividend calculations - Preparation of correspondence to beneficiaries 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 beneficiaries enclosing payment of dividend
	Processing proofs of debt	- Preparation of correspondence to potential creditors inviting lodgement of proofs of debt - Receipt of proofs of debt - Maintaining proof of debt register - Adjudicating proofs of debt - Request further information from claimants regarding proofs of debt
Administration **13.1 hours** **$12,000.00** **(excl GST)**	Correspondence	- General correspondence
	Document maintenance / file review / checklist	- Filing of documents - Updating checklists - File reviews
	Bank account administration	- Preparing correspondence closing bank accounts - Requesting bank statements - Bank account reconciliations
	ASIC forms	- Preparing and lodging ASIC forms
	ATO and other statutory reporting	- Notifying ATO of finalisation - Cancelling GST and PAYG registration - Preparing business activity statements

Task area	General description	Includes
		- Following up outstanding refunds (if any)
	Books and records / storage	- Sending job files to storage

Schedule F – Resolution 14

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Liquidators and their staff for the period 25 March 2020 to finalisation, which is the basis of the Resolution 14 claim in section 3.2.6:

Task area	General description	Includes
Assets **92.3 hours** **$42,550.00** **(excl GST)**	Plant and equipment	- Liaising with valuers, auctioneers and interested parties - Reviewing asset listings
	Inventory	- Tasks related to the sale of inventory - Liaising with suppliers and stakeholder to organise the transfer of stock - Liaising with purchaser and surrounding tasks
	Debtors	- Task associated with realising outstanding debtors - Liaising with debtor collectors and solicitors
	Other assets	- Task associated with realising other assets
	Leasing	- Task associated with disclaiming leases - Liaising with landlords
Creditors **132.0 hours** **$176,625.00** **(excl GST)**	Creditor enquiries, requests and directions	- Receive and respond to creditor enquiries - Maintaining creditor register log - Considering reasonableness of creditor requests - Obtaining legal advice on requests - Documenting reasons for complying or not complying with requests or directions - Compiling information requested by creditors
	Secured creditor reporting	- Notifying PPSR registered creditors of appointment - Responding to secured creditor's queries
	Creditor reports	- Preparing reports on results of investigations (including statutory reports) and convening meetings - General reports to creditors

Task area	General description	Includes
Employees **173.2 hours** **$63,000.00** **(excl GST)**	Dealing with proofs of debt	- Receipting and filing proofs of debt when not related to a dividend - Corresponding with OSR and ATO regarding proofs of debt when not related to a dividend
	Employee enquiries	- Receive and follow employee enquiries via telephone and email - Maintain employee enquiry register
	Fair Entitlements Guarantee (**FEG**)	- Correspondence with Department of Jobs and Small Business - Preparing notification spreadsheet - Preparing FEG quotations - Preparing FEG verifications and distributions - Completing FEG questionnaires
	Calculation of entitlements	- Calculating employee entitlements - Reviewing employee files and Company's books and records - Reconciling superannuation accounts - Reviewing awards
	Employee dividend	- Correspondence with employees regarding dividend - Correspondence with ATO regarding SGC proof of debt - Task associated with calculating, declaring and distributing a dividend to employees and priority creditors - Ensuring PAYG is remitted to ATO
	Workers compensation claims	- Receipt of claim - Liaising with claimant - Liaising with insurer and lawyer regarding claim - Identification of potential issues requiring insurance speciality - Correspondence with insurer regarding initial and ongoing workers' compensation and insurance requirements - Correspondence with previous brokers
	Other employee issues	- Correspondence with Child Support - Correspondence with Centrelink
Trade on **302.0 hours** **$146,950.00** **(excl GST)**	Trade-on management	- Liaising with suppliers - Wind down of business
	Processing receipts and payments	- Entering receipts and payments into accounting system

Task area	General description	Includes
	Budgeting and financial reporting	- Reviewing Company's budgets and financial statements - Preparing budgets - Preparing weekly financial reports - Finalising trading profit or loss - Meetings to discuss trading position
	Conducting investigation	- Conduct detailed investigation as to potential claims available in the liquidation - Investigation surrounding potential voidable transactions including unfair preference claims - Lodgement of investigation with ASIC - Preparing and lodgement of supplementary report if required
	Litigation / recoveries	- Recovery of any claims identified including commencing legal proceeding, if required - Liaising and instructing lawyers - Preparing briefs to lawyers - Preparing statement of claim and affidavits - Attending to negotiations, settlements, mediations and meetings
	ASIC reporting	- Preparing stator investigation reports - Liaising with ASIC
Dividend **202.2 hours** **$80,625.00** **(excl GST)**	Dividend procedures	- Preparing of correspondence to beneficiaries advising of intention to declare dividend - Advertisement of intention to declare dividend - Preparation of dividend calculations - Preparation of correspondence to beneficiaries 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 beneficiaries enclosing payment of dividend
	Processing proofs of debt	- Preparation of correspondence to potential creditors inviting lodgement of proofs of debt - Receipt of proofs of debt - Maintaining proof of debt register - Adjudicating proofs of debt - Request further information from claimants regarding proofs of debt
Administration	Correspondence	- General correspondence

Task area	General description	Includes
173.2 hours $63,00.00 (excl GST)	Document maintenance / file review / checklist	- Administration reviews - Filing of documents - File reviews - Updating checklists
	Insurance	- Correspondence with insurers regarding ongoing insurance requirements
	Bank account administration	- Preparing correspondence closing accounts - Requesting bank statements - Bank account reconciliations - Correspondence with bank regarding specific transfers
	ASIC forms	- Preparing and lodging ASIC forms - Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	- Notification of appointment - Preparing BASs - Completing group certificates
	Finalisation	- Notifying ATO of finalisation - Cancelling ABN / GST / PAYG registration - Completing checklists - Finalising WIP
	Planning / review	- Discussions regarding status / strategy of liquidation
	Books and records / storage	- Dealing with records in storage - Sending job files to storage

F – ARITA creditor information sheet

Creditor Information Sheet

Offences, Recoverable transactions and Insolvent Trading

ARITA

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.

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AUSTRALIAN RESTRUCTURING INSOLVENCY & TURNAROUND ASSOCIATION

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.

G – DOCA Term Sheet

Dated: 17 March 2020

Proposal for a Deed of Company Arrangement to the creditors of

Bardot Pty Ltd (Administrators Appointed), ACN: 074 147 434

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1. Parties

1.1. Brendan Richards and Ryan Eagle of KPMG, Tower Two, Collins Square, 727 Collins St, Melbourne VIC 3008 (**Administrators, Deed Administrators and Trustees of the Creditors' Trust**).

1.2. Bardot Pty Ltd (Administrators Appointed), ACN 074 147 434 (**Bardot**).

1.3. Ms Koula Skoufi of 30 Walmer St, Kew VIC 3101 (**Proponent**).

2. Introduction

2.1. On 28 November 2019 Bardot's director resolved that, in her opinion, Bardot was insolvent or was likely to become insolvent at some future time and that administrators should be appointed pursuant to section 436A of the Corporations Act 2001.

2.2. The Administrators, having consented in writing to an appointment as administrators of Bardot and such consent not having been withdrawn, pursuant to section 436A of the Corporations Act 2001, were appointed Administrators of Bardot.

2.3. The Proponent wishes to make a proposal to Bardot's creditors to restructure Bardot's financial position through a Deed of Company Arrangement (**DOCA**) that will result in the continuation of Bardot's business and provide a better return to Bardot's creditors than they would receive if Bardot is placed into liquidation.

2.4. The Proponent makes this DOCA proposal to the Creditors of Bardot for their consideration and approval.

3. Definitions

3.1. "**Act**" means the *Corporations Act 2001* (Cth);

3.2. "**Administrators**" means Brendan Richards and Ryan Eagle of KPMG, Tower Two, Collins Square, 727 Collins St, Melbourne VIC 3008;

3.3. "**Administration**" has the same meaning ascribed to this term in section 9 of the Act;

3.4. **"Administration Costs"** means:

3.4.1. All outstanding debts and other obligations and costs properly incurred by the Administrators as voluntary administrators of Bardot including any debts to which the statutory indemnity under section 443D of the Act applies and any amount under the indemnity in clause 20 of this proposal;

3.4.2. All outstanding debts and other obligations incurred by Bardot during the period of the voluntary administration for which the Administrators are liable as voluntary administrators of Bardot; and

3.4.3. The remuneration earned by the Administrators and other fees to which the Administrators are entitled as voluntary administrators of Bardot;

3.5. "**Assumed Liabilities**" means all liabilities or obligations owed by Bardot in whatever capacity and whether actual, prospective or contingent and whether or not ascertained, arising out of or in connection with the conduct of the business of Bardot, or the ownership or use of Bardot's assets, on and from the DOCA Execution Date.

3.6. "**Available Property**" has the meaning given to it in clause 9.1;

3.7. "**Business Day**" means a day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in the place where an act is to be performed or a payment is to be made;

3.8. "**Claim**" includes a claim, demand, debt, action, proceeding, suit, cost, charge, expense, damage, loss and other liability;

3.9. "**Class A Creditors**" means each Priority Creditor to the extent of their Priority Creditor's Claim for outstanding superannuation contributions as at the Relevant Date;

3.10. "**Class B Creditors**" means each Priority Creditor whose employment has been terminated as at the DOCA Execution Date to the extent of their Priority Creditor's Claim for all entitlements, other than outstanding superannuation contributions as at the Relevant Date (in respect of which such Priority Creditor is a Class A Creditor).

3.11. "**Class C Creditors**" means any person who is an employee of Bardot as at the DOCA Execution Date and who continues to be employed by Bardot after Completion.

3.12. "**Class D Creditor**" means National Australia Bank Limited;

3.13. "**Class E Creditors**" means all Creditors identified in Schedule 1;

3.14. "**Class F Creditors**" means all Creditors identified in Schedule 2;

3.15. "**Class G Creditors**" means Creditors with a Claim against Bardot arising under or in connection with unexpired and unused gift cards or credit notes issued by Bardot prior to the Relevant Date;

3.16. "**Class H Creditors**" means Creditors who have not been included in Creditor Classes A to G;

3.17. "**Corporations Regulations**" means the *Corporations Regulations* 2001 (Cth);

3.18. "**Conditions Precedent**" means the conditions precedent listed in clause 13.2;

3.19. "**Continuing Stores**" means Bardot's retail stores identified in Schedule 3;

3.20. "**Cost**" (in the context of inventory) means the value applied to inventory for the purposes of this proposal and the DOCA calculated in accordance with Schedule 20;

3.21. "**Court**" has the meaning set out in section 58AA of the Act (for the avoidance of doubt being the definition attributed to the capitalised word "Court" in that section);

3.22. "**Creditor**" means a person who has a debt payable by, or Claim against, Bardot, whether present or future, certain or contingent, ascertained or sounding only in damages, the circumstances giving rise to which occurred on or before the Relevant Date;

3.23. "**Creditors' Claim**" means, in relation to a Creditor, the Creditor's debt payable by, or Claim against, Bardot, whether present or future, certain or contingent, ascertained or sounding only in damages, the circumstances giving rise to which occurred on or before the Relevant Date;

3.24. "**Director**" mean Ms Koula Skoufis of 30 Walmer St, Kew VIC 3101;

3.25. "**DOCA**" means the Deed of Company Arrangement for Bardot the subject of this proposal;

3.26. "**DOCA Contribution**" has the meaning given to it in clause 6.4.2.

3.27. "**DOCA Costs**" means:

3.27.1. All outstanding debts and other obligations and costs properly incurred by the Deed Administrators as administrators of the DOCA and any amount under the indemnity in clause 20 of this proposal;

3.27.2. All outstanding debts and other obligations incurred by Bardot during for which the Deed Administrators are liable as the administrator of the DOCA; and

3.27.3. The remuneration earned by the Deed Administrators and other fees to which the Deed Administrators are entitled as the administrators of the DOCA.

3.28. "**DOCA Execution Date**" means the date on which the DOCA is executed by all parties to the DOCA.

3.29. **"DOCA Period"** means the period commencing on the date on which the DOCA is executed by all parties and becomes binding and effective and ending on the date on which the DOCA terminates in accordance with clause 15.

3.30. "**Excluded Assets**" means:

3.30.1. All inventory held by Bardot on Completion of the DOCA that is included in the inventory categories as set out in Schedule 7;

3.30.2. All plant & equipment located at the stores identified in Schedule 3; and

3.30.3. All rights to the intellectual property assets used to conduct Bardot's business.

3.30.4. Any amounts that may be owed to Bardot by any person who was a Director of Bardot at the Relevant Date.

3.31. **"Excluded Claim"** means any Creditor's Claim of a Class C Creditor.

3.32. "**Gift Voucher Reimbursement Amount**" means the aggregate Claims against Bardot for unexpired and unused gift cards or credit notes issued by Bardot as at the DOCA Execution Date.

3.33. "**Outstanding Purchase Orders**" has the meaning given to it in clause 6.7.

3.34. "**Participating Creditors**" means collectively all Creditors except the Class C Creditors.

3.35. "**Participating Creditors' Claims**" means in relation to a Participating Creditor, the Participating Creditor's debt payable by, or Claim against, Bardot, whether present or future, certain or contingent, ascertained or sounding only in damages, the circumstances giving rise to which occurred on or before the Relevant Date.

3.36. "**Party**" means the Administrators, Bardot or the Proponent, according to the context; and "Parties" has a corresponding meaning;

3.37. "**Prescribed Provisions**" means those provisions which are prescribed for the purposes of section 444A(5) of the Act, namely, the provisions set out in clause 2 of Schedule 8A of the Corporations Regulations;

3.38. "**Priority Creditor**" means a Creditor with a debt payable by, or Claim against, Bardot as at the Relevant Date which, had Bardot been wound up (the Relevant Date being the day on which the winding up was taken to have begun), would have been a debt or claim which must be paid in priority to all other unsecured

debts or claims in accordance with section 556, section 560 or section 561 of the Act;

3.39. "**Priority Creditor's Claim**" means in relation to a Priority Creditor, the Priority Creditor's debt payable by, or Claim against Bardot as at the Relevant Date which, had Bardot been wound up (the Relevant Date being the day on which the winding up was taken to have begun), would have been a debt or claim which must be paid in priority to all other unsecured debts or claims in accordance with section 556, section 560 or section 561 of the Act;

3.40. **"Property"** has the meaning given to it in section 9 of the Act;

3.41. "**Relevant Date**" means 28 November 2019;

3.42. "**Secured Creditor"** means National Australia Bank Ltd;

3.43. "**Stock Consideration"** means the consideration payable by the Proponent for all warehouse or in store stock as at the Business Day before the DOCA Execution Date, such consideration to be calculated by the Administrators and notified to the Proponent prior to the DOCA Execution Date. The Administrators will perform this calculation by:

3.43.1. completing a stocktake on the basis of Bardot's electronic records and on terms to be agreed between the Proponent and the Administrators, with the stocktake methodology and accounting principles to be applied consistently with that applied by Bardot prior to the Relevant Date;

3.43.2. applying the listed percentage realisation rate in Schedule 7 for each inventory category to the stocktake items; and

3.43.3. taking the aggregate of the amounts calculated in 3.43.2.

3.44. "**Stock Realisation Proceeds**" has the meaning given to it in clause 6.7.2.

3.45. **"Sunset Date"** means 30 September 2020 or such other date as agreed in writing between the Deed Administrators and the Proponents;

3.46. **"Superannuation Contribution"** has the meaning given in section 556 of the Act.

3.47. **"Superannuation Guarantee Charge"** has the meaning given to it in the Superannuation Guarantee (Administration) Act 1992.

3.48. "**Termination Date**" means the date on which the DOCA terminates in accordance with clause 15 of this proposal;

3.49. **"Trustees Costs"** means:

3.49.1. All outstanding debts and other obligations and costs properly incurred by the Trustees as trustees of the Creditors' Trust and any amount under the indemnity in clause 20 of this proposal;

3.49.2. All outstanding debts and other obligations incurred by Bardot during the period of the Creditors' Trust for which Trustees are liable as trustees of the Creditors' Trust; and

3.49.3. The remuneration earned by the Trustees and other fees to which the Trustees are entitled as trustees of the Creditors' Trust.

4. Prescribed Provisions

4.1. The Prescribed Provisions are expressly excluded from the DOCA, except to the extent that they are expressly included.

5. Deposit

5.1. As soon as practicable after signing this Term Sheet and no later than one day prior to the Creditors' Meeting, the Proponent must procure the relevant external financiers (who are providing the Proponent with the DOCA Funding) to pay, to an account nominated by the Administrators, $A53,000 in part payment of the DOCA Contribution which shall be:

5.1.1. Non-refundable if the DOCA the subject of this proposal is executed; and

5.1.2. Refundable up to the DOCA Execution Date to the Proponent if the DOCA the subject of this proposal is not approved at the Creditors' Meeting.

6. Proposal of DOCA and Creditors' Meeting

6.1. Subject to the satisfaction of the conditions in clause 6.2, the Administrators will present the DOCA the subject of this proposal to Creditors at a meeting convened pursuant to section 439A of the Act prior to 19 March 2020 (**Creditors' Meeting**). The Administrators will provide creditors with a statement setting out (amongst other things) the Administrators' opinion about whether it would be in the creditors' interest for Bardot to execute a proposed DOCA in terms consistent with this proposal and their reasons for the opinion and lodge it with ASIC.

6.2. The Proponent and Bardot agree and acknowledge that the DOCA the subject of this proposal is not binding on the Administrators, and the Administrators

have no obligation to present the DOCA to Creditors, unless all of the following conditions are satisfied or waived by the Administrators in their absolute discretion:

6.2.1. The Proponent provides evidence (by way of a binding term sheet or commitment letter) to the satisfaction of the Administrators that it has binding commitments in place for the provision of the external financing (**DOCA Funding**) it requires for:

(a) payment of the DOCA Contribution, or otherwise demonstrates its capacity to fund the DOCA Contribution to the satisfaction of the Administrators; and

(b) the working capital requirements of the Bardot business following Completion of the DOCA for ongoing operations of the Continuing Stores, or otherwise demonstrates its capacity to fund such working capital requirements to the satisfaction of the Administrators.

6.2.2. The Proponent provides evidence (by way of commitment letters) of support and extension of leasing from the applicable landlord for each of the Continuing Stores following Completion of the DOCA, to the satisfaction of the Administrators; and

6.2.3. The Proponent provides evidence (by way of commitment letters) of support and extension of supply arrangements from each of the Class E Creditors following Completion of the DOCA, to the satisfaction of the Administrators.

6.3. If the conditions in clause 6.2 clause are satisfied or waived by the Administrators in their absolute discretion and the DOCA the subject of this proposal is approved at the Creditors' Meeting, the Administrators will instruct their solicitors to prepare the DOCA and a trust deed (**Trust Deed**) substantially on the terms of this proposal for the establishment of a Trust to hold the Available Property for administration and distribution in accordance with the DOCA and the Trust Deed (**Creditors' Trust**).

6.4. Within 15 Business Days of Creditors approving the DOCA the subject of this proposal at the Creditors' Meeting the Proponent:

6.4.1. Bardot and the Administrators will execute a DOCA in terms materially consistent with this proposal and the DOCA will be binding and effective on such date once all parties have executed; and

6.4.2. On the DOCA Execution Date or such other date agreed by the parties in writing (which must be no later than two Business Days after the DOCA Execution Date):

(a) the Proponent must pay, and must procure the relevant external financiers providing the Proponent with the DOCA Funding pay, to an account nominated by the Administrators:

(i) the Stock Consideration, being consideration for the purchase of all warehouse or in store stock as at the Business Day before the DOCA Execution Date;

(ii) the Gift Voucher Reimbursement Amount notified by the Administrators to the Proponent by no later than the Business Day prior to the DOCA Execution Date; and

(iii) to the extent not previously paid, $A53,000

(together, the **DOCA Contribution**);

(b) the Administrators must pay A$50,000 to the Class D Creditor, to be applied in reduction of the Creditor's Claim of the Class D Creditor. In consideration of this payment and the distribution to the Class D Creditor referred to in clause 18.1.2, the Class D Creditor must release and deregister on and from the DOCA Execution Date all security interests against Bardot in its favour, including the security interests identified in Schedule 5; and

(c) to the extent it has not already taken effect, the loan facility and security agreements with the external financier(s) for the DOCA Funding must take effect on and from the DOCA Execution Date.

6.5. The DOCA binds:

6.5.1. The Proponent;

6.5.2. The Administrators;

6.5.3. All Creditors to the extent of their Creditors' Claim

6.5.4. Bardot, the officers of Bardot and the members of Bardot in accordance with section 444G of the Act; and

6.5.5. A secured creditor of Bardot, or an owner or lessor of Property in relation to the rights that owner or lessor has in respect of that Property, who votes in favour of the resolution of Creditors that Bardot

execute a DOCA substantially on the terms of this proposal in accordance with section 444D of the Act.

6.6. On and from the DOCA Execution Date:

6.6.1. The Administrators, Deed Administrators and Trustees will have no liability in respect of any Assumed Liabilities;

6.6.2. Bardot must, and the Proponent must procure Bardot to, pay the Assumed Liabilities as and when they fall due;

6.6.3. Bardot or the Proponent must reimburse each of the Administrators, Deed Administrators and Trustees for any amounts paid by or on behalf of any of them for any Assumed Liabilities within two Business Days of receiving evidence of payment (such obligation being a joint and several obligation of Bardot and the Proponent); and

6.6.4. The indemnity in clause 20 applies to any amounts paid or on behalf of any of the Administrators, Deed Administrators or Trustees for any Assumed Liabilities.

6.7. On and from the DOCA Execution Date:

6.7.1. In relation to all stock which is not yet in transit as at the DOCA Execution Date:

(a) The Administrators, Deed Administrators and Trustees will have no liability in respect of any outstanding purchase orders for such stock for which payment has not been made as at the DOCA Execution Date (**Outstanding Purchase Orders**);

(b) Bardot must, and the Proponent must procure Bardot to, pay the Outstanding Purchase Orders as and when they fall due;

(c) Bardot or the Proponent must reimburse each of the Administrators, Deed Administrators and Trustees for any amounts paid by or on behalf of any of them for any Outstanding Purchase Orders within two Business Days of receiving evidence of payment (such obligation being a joint and several obligation of Bardot and the Proponent); and

(d) The indemnity in clause 20 applies to any amounts paid or on behalf of any of the Administrators, Deed Administrators or Trustees for any Outstanding Purchase Orders; and

6.7.2. In relation to all stock which is in transit as at the DOCA Execution Date:

(a) the Deed Administrators will during the DOCA Period pay any outstanding purchase orders for such stock for which payment has not been made as at the DOCA Execution Date; and

(b) in consideration for the Deed Administrators making the payments referred to in paragraph (a) above, the Proponent must pay, and must procure the relevant external financiers providing the DOCA Funding pay, to the Deed Administrators the proceeds of realisation of such stock (**Stock Realisation Proceeds**) as soon as practicable after each applicable invoice for such stock is raised. The Proponent must use best endeavours to make such payments to the Deed Administrators as expeditiously as possible and as soon as practicable after the stock is received by Bardot.

6.8. Prior to the DOCA Execution Date, the Proponent must notify, in the form agreed with the Administrators, all suppliers of Bardot that on and from the DOCA Execution Date, the Administrators, Deed Administrators and Trustees will have no liability in respect of any Assumed Liabilities and any Outstanding Purchase Orders.

6.9. The Proponent must refinance Bardot's merchant facilities with the Class D Creditor as soon as practicable after the DOCA Execution Date.

7. DOCA Funding

7.1. The Proponent must use best endeavours to:

7.1.1. enter into long form documentation for the DOCA Funding; and

7.1.2. draw down on the funding for the purpose of making payment of the DOCA Contribution in accordance with clause 6.4.2 and payment of the Stock Realisation Proceeds in accordance with clause 6.7.2,

as expeditiously as possible and as soon as practicable after the binding commitments referred to in clause 6.2.1 are in place and, in any event, prior to the DOCA Execution Date for the DOCA Contribution.

7.2. The Proponent must procure the Board of Bardot to cause Bardot to enter into the necessary loan facility and security agreements with the external financier(s), with such delegation of powers as necessary by the Administrators to the Board for this purpose.

8. Deed Administrators

8.1. The Administrators consent to and accept the appointment as the administrators of the DOCA.

8.2. If at any time there are two or more persons appointed as Deed Administrators, the powers, functions and duties of the Deed Administrators may be performed and exercised jointly and severally and any act required to be done by the Deed Administrators pursuant to the DOCA may be done by any one or more of them. The obligations of the Deed Administrators are joint and several obligations. All references to Deed Administrators in the DOCA will apply to each, some or all of the Deed Administrators, as the context requires.

8.3. In exercising the powers conferred by the DOCA and carrying out the duties arising under the DOCA, the Deed Administrators act as agents for and on behalf of Bardot and accept no personal liability for any acts, matters or omissions relating to things done or not done in that capacity.

8.4. For the purpose of administering the DOCA the Deed Administrators have all the powers which the Directors of Bardot had in respect of Bardot prior to the Relevant Date, all the powers which the Administrators had prior to the DOCA Execution Date, the powers specified in the Prescribed Provisions and (without limitation) the following powers:

8.4.1. to realise and administer assets available for the payment of Creditors' Claims in accordance with the provisions of the DOCA;

8.4.2. to remove from office a director of Bardot and appoint a person as a director of Bardot, whether to fill a vacancy or not;

8.4.3. to bring, prosecute and defend in the name and on behalf of Bardot, or in the name of the Deed Administrators any action, suits or proceedings relevant to the obligations under this proposal;

8.4.4. to convene and hold meetings of the Creditors and members of Bardot for any purpose authorised by the Deed Administrators;

8.4.5. to make interim or other distributions of property available for the payment of Creditors' Claims as provided in this proposal;

8.4.6. to appoint a solicitor, accountant or other professionally qualified person to assist the Deed Administrators;

8.4.7. to permit any person authorised by the Deed Administrators to operate any account in the name of Bardot;

8.4.8. to liaise with any government or regulatory body (including the Australian Securities and Investments Commission) for any purpose associated with the business or affairs of Bardot;

8.4.9. to do all things or execute all documents or deeds in the name of and on behalf of Bardot;

8.4.10. to execute and do all things reasonably necessary or convenient to be done to give effect to this proposal;

8.4.11. to do anything that is incidental to exercising a power set out in this proposal or the Act;

8.4.12. to collect all debtors of Bardot relating to the period prior to the Relevant Date and up to and including the DOCA Execution Date; and

8.4.13. to bring, prosecute and defend in the name and on behalf of Bardot, or in the name of the Deed Administrators any action, suits or proceedings against any third party (other than any person who was a Director of Bardot as at the Relevant Date). For the avoidance of doubt, the Deed Administrators do not have authority to commence or continue any proceedings against any person who was a Director of Bardot at the Relevant Date.

8.5. For the avoidance of doubt, any debts payable by, or Claims against, Bardot, the circumstances giving rise to which occur after the DOCA Execution Date are not liabilities of the Administrators, the Deed Administrators or the Trustees (being Assumed Liabilities).

8.6. Control of Bardot will remain with the Deed Administrators until effectuation of the DOCA in accordance with clause 15.1.1.

8.7. Control of Bardot will return to its Directors upon effectuation of the DOCA in accordance with clause 15.1.1.

8.8. The Proponent must, and must procure the Directors and Officers of Bardot to, provide the Deed Administrators will all assistance and cooperation reasonably required by the Deed Administrators to exercise their powers and perform their functions at law and under the DOCA, including, without limitation, facilitating the Deed Administrators' access to any books and records, premises, employees, assets or any other resources of Bardot to the extent required by the Deed Administrators.

8.9. The Deed Administrators will, upon Completion of the DOCA in accordance with clause 15.1.1, cause the establishment of the Creditors' Trust and act as trustees of the Creditors' Trust.

9. Available Property

9.1. The assets of the Creditors' Trust (**Available Property**) will comprise:

9.1.1. The balance of cash at bank held by the Deed Administrators immediately prior to establishment of the Creditors' Trust after payment of the Administration Costs to the Administrators, the DOCA Costs to the Deed Administrators and the Trustees Costs to the Trustees, to the extent they have not previously been paid from the assets of Bardot;

9.1.2. The DOCA Contribution; and

9.1.3. Any other amounts owing to, or Claims held by, Bardot which the Deed Administrators determine should be included, in their sole discretion.

9.2. The Available Property does not include the Excluded Assets or any other assets or property of Bardot not expressly listed in clause 9.1.

9.3. The Available Property may only be applied and distributed in accordance with the DOCA and the Creditor's Trust Deed.

10. Excluded Claims

10.1. Excluded Claims will not be released, discharged or extinguished by the DOCA and they will remain on foot.

10.2. Class C Creditors will not be entitled to make a claim against the Available Property.

11. Moratorium

11.1. During the DOCA Period, the moratorium in sections 440A, 440D and 440F of the Act will apply to bind all Creditors and members of the Bardot in relation to any debt payable by, or Claim against, Bardot, whether present or future, certain or contingent, ascertained or sounding only in damages, the circumstances giving rise to which occurred on or before the Relevant Date.

11.2. For the avoidance of doubt, during the DOCA Period, no application to wind up Bardot may be made or continued by the members or officers of Bardot.

12. Owners or Lessors of Property

12.1. Nothing in the DOCA will affect the rights of owners or lessors of Property who did not vote in favour of the DOCA in relation to that Property as at the effective date of the DOCA.

13. Conditions Precedent to Completion

13.1. Completion of the DOCA is subject to the satisfaction or waiver (by both the Proponents and the Deed Administrators, unless otherwise specified) of the Conditions Precedent.

13.2. The Conditions Precedent are as follows:

13.2.1. The approval of the DOCA by Creditors at the Creditors' Meeting;

13.2.2. The Deed Administrators and Bardot execute the Trust Deed;

13.2.3. The Deed Administrators terminate the employment of all employees other than employees working at the Continuing Stores and the head office employees identified in Schedule 4, such termination to take effect on and from Completion;

13.2.4. Unless waived by the Deed Administrators in writing in their sole discretion, a release from the relevant counterparty of the Administrators, Deed Administrators and Trustees on the terms required by the Deed Administrators from liability in respect of any Outstanding Purchase Orders or Assumed Liability.

13.2.5. To the extent agreed by the parties, agreement from any creditors with registered security interests listed in Schedule 6 to deregister those security interests;

13.2.6. Unless waived by the Deed Administrators in writing in their sole discretion, the Deed Administrators:

(a) have received evidence to their satisfaction that all Outstanding Purchase Orders have been paid in full;

(b) have collected all debtors of Bardot relating to the period prior to the Relevant Date and up to and including the DOCA Execution Date;

(c) have received all Stock Realisation Proceeds in full; and

(d) are satisfied that there are no reimbursements for any Assumed Liabilities required to be made pursuant to clause 6.6.3; and

(e) there are no facts or circumstances in respect of which they may need to call on the indemnity in clause 20.

14. Completion

14.1. The DOCA will continue in operation until such time as the Deed Administrators are satisfied that:

14.1.1. The Conditions Precedent in clause 13.2 have been satisfied or waived;

14.1.2. The Available Property is ready to be transferred to the Creditors' Trust; and

14.1.3. The Deed Administrators have completed their functions as administrators of the DOCA.

14.2. Completion (and effectuation) of the DOCA will occur on the date on which the Deed Administrators give a notice in writing to the Proponent that they are satisfied regarding each of the matters set out in clause 14.1 and, following the giving of such notice, the Deed Administrators must transfer the Available Property to the Creditors' Trust at which time the Creditors' Trust will be regarded as constituted.

15. Termination

15.1. The DOCA will terminate on the earlier of the following occurring:

15.1.1. Automatically on and from Completion of the DOCA which shall occur once the Deed Administrators have transferred all of the Available Property to the Creditors' Trust in accordance with clause 14.2;

15.1.2. By order of the Court terminating the DOCA under section 445D of the Act;

15.1.3. Automatically if the Conditions Precedent set out in clause 13.2 are not satisfied or waived (by both the Proponents and the Deed Administrators) on or before the Sunset Date; and

15.1.4. By resolution of the Creditors at a meeting convened under Division 75 of Schedule 2 (Insolvency Practice Schedule (Corporations)) to the Act.

15.2. The Deed Administrators must convene a meeting of the Creditors to consider a resolution to terminate the DOCA if either the Deed Administrators determine

that it is no longer practicable or desirable to continue to implement or carry out the DOCA or a Court so orders.

15.3. If any of the Conditions Precedent are not satisfied by a Sunset, the Deed Administrators will convene a meeting of Creditors to determine the future of Bardot.

15.4. Within 5 Business Days of Completion of the DOCA in accordance with clause 14.2, the Deed Administrators must lodge a written notice with the Australian Securities and Investments Commission in the following form:

> **Bardot Pty Ltd (Subject to Deed of Company Arrangement) (ACN: 074 147 434)**
>
> We, Brendan Richards and Ryan Eagle of KPMG, Tower Two, Collins Square, 727 Collins St, Melbourne VIC 3008, Deed Administrators of the Deed of Company Arrangement executed by Bardot Pty Ltd (Subject to Deed of Company Arrangement) (ACN: 074 147 434) on #[insert date]# hereby certify that the deed has been wholly effected and is terminated upon lodgement of this notice with the Australian Securities and Investments Commission.

15.5. Within 5 Business Days of Completion of the DOCA in accordance with clause 14.2, the Deed Administrators must deliver to Bardot all of Bardot's books and records in the possession of the Deed Administrators other than any books and records which the Deed Administrators are entitled or required to retain (whether in the capacity of Administrators, Deed Administrators or Trustees). Bardot will provide the Trustees with access to Bardot's books and records and the Trustees may upon reasonable notice to Bardot, inspect and take copies of the books and records for the purpose of discharging their duties and performing their functions. Any of the former Administrators, Deed Administrators or Trustees may at any time upon reasonable notice to Bardot, inspect and take copies of the books and records of Bardot where such access is in connection with their former role as Administrators, Deed Administrators or Trustees.

15.6. The termination of the DOCA will not affect:

15.6.1. the previous operation of the DOCA; or

15.6.2. the enforceability of any accrued obligations under the DOCA. Where the termination of the DOCA is followed by the winding up of Bardot, the liquidators may enforce any obligation under the DOCA owed to

the Deed Administrators as if the liquidators were party to the DOCA in the place of the Deed Administrators.

16. Release of Participating Creditors' Claims

16.1. No Claims are released, discharged or extinguished by the DOCA until Completion of the DOCA in accordance with clause 14.2.

16.2. On and from Completion of the DOCA in accordance with clause 14.2:

16.2.1. Bardot will be released from all Participating Creditor's Claims and each Participating Creditor will be entitled to claim against the Trust Fund in an amount equal to their released Participating Creditor's Claim; and

16.2.2. All Participating Creditors with a Participating Creditor's Claim must accept their entitlements under the Trust Fund in full satisfaction and complete discharge of their Participating Creditor's Claims which they have or claim to have and the Participating Creditor's Claims of all Participating Creditors will be extinguished as against Bardot.

16.3. On Completion of the DOCA occurring, subject to section 444D of the Act, Bardot may plead the DOCA as an absolute bar to any action, proceeding or suit brought by a Participating Creditor in respect of its Participating Creditor's Claim.

16.4. For the purposes of section 444DA of the Act, any current or former employees of Bardot will retain a priority until Completion in respect of the assets and property under the Deed Administrators' control, and thereafter, in respect of the assets of the Trust Fund, at least equal to that which they would have been entitled if the property of Bardot had been applied in accordance with sections 556, 560 and 561 of the Act.

16.5. The Proponent shall procure that on and from Completion, Bardot will remain responsible for, and shall recognise, honour and pay, the entitlements of Class C Creditors, including any entitlements which accrued prior to or after the Relevant Date (but excluding superannuation contributions that accrued prior to the DOCA Execution Date).

16.6. For the purposes of section 444DB of the Act, the Deed Administrators (in their capacity as Trustees) must determine that a debt (or part thereof) by way of a Superannuation Contribution is not admissible to proof as a Participating Creditors' Claim against the Trust Fund if:

16.6.1. that debt (or part of the debt) by way of Superannuation Guarantee Charge:

(a) has been paid; or

(b) is, or is to be admissible against, Bardot; and

16.6.2. the Deed Administrators are satisfied that the Superannuation Guarantee Charge is attributable to the whole of the first-mentioned debt.

16.7. If the Deed Administrators (in their capacity as Trustees) make a determination in accordance with clause 16.6, the Superannuation Contribution is to be treated as extinguished as against Bardot.

16.8. Where there have been mutual credits, mutual debts or other mutual dealings between Bardot and a Participating Creditor:

16.8.1. an account must be taken of what is due from the one party to the other in respect of those mutual dealings;

16.8.2. the sum due from one party is to be set off against any sum due from the other party;

16.8.3. only the balance of the account (if any) in favour of the Participating Creditor as against Bardot is to be released, discharged and extinguished;

16.8.4. only the balance of the account (if any) in favour of Bardot as against the Participating Creditor, is payable by the Participating Creditor to Bardot.

16.9. A Participating Creditor will not be entitled to claim the benefit of any set-off if, at the time of giving credit to Bardot, or at the time of receiving credit from Bardot, it had notice of the fact that Bardot was insolvent.

16.10. For the avoidance of doubt, the procedure set out in clause 16.4 is intended to entitle a Participating Creditor to claim a set-off (if any) as may be available pursuant to section 553C of the Act as against any liability to Bardot as if Bardot was subject to a winding up so that the balance of the account (if any):

16.10.1. in favour of the Participating Creditor is admissible to proof under the Trust Deed without giving rise to any obligation on Bardot following the Completion of the DOCA to pay any monies to the Participating Creditor; and

16.10.2. in favour of Bardot is payable by the Participating Creditor to Bardot,

and to the extent that there may be any inconsistency between application of the procedure set out in this proposal and the application of section 553C of the Act, section 553C of the Act will prevail and will apply with immediate and

16.11. Within 7 days of a request by the Deed Administrators, a Participating Creditor must execute and deliver to Bardot a written release of the Participating Creditor's Claim in the form reasonably required by the Deed Administrators to fulfil the release effected by the DOCA, save to say that any such release will not take effect unless and until Completion of the DOCA.

16.12. Each Participating Creditor irrevocably appoints the Deed Administrators to be the attorney of the Participating Creditor with full power for, and on behalf of, and in the name of, the Participating Creditor, to do all acts and things and sign and execute all deeds, documents and notices as may be necessary or convenient for the purpose of the execution and delivery to Bardot of the release referred to in clause 16.11.

17. Creditors' Trust

17.1. The Trustees will have discretion to make interim distributions from the Creditors' Trust.

17.2. Except to the extent (if any) they are excluded or modified by or are inconsistent with the terms of the DOCA, subdivisions A, B, C, D and E of Division 6 of Part 5.6 of the Act (other than sections 553(1A) and 553B of the Act (other than to the extent expressly incorporated)) and section 544 and regulations 5.6.37, 5.6.39 to 5.6.63 and 5.6.70 and 5.6.70A of the Regulations apply to the DOCA and to the Trustees with such modifications as may be necessary, including:

17.2.1. references to the 'liquidator' to be read as references to the Administrators; and

17.2.2. references to 'winding up' to be read as references to the operation and performance of the DOCA and the Trust as applicable.

17.3. The Trustees may, in their absolute discretion:

17.3.1. admit all or part of any Creditor's Claim by a Participating Creditor;

17.3.2. reject all or part of any Creditor's Claim by a Participating Creditor; and

17.3.3. pay any Creditor's Claim of a Participating Creditor which is admitted to proof by the Trustees,

in accordance with the provisions of the DOCA.

17.4. A Participating Creditor shall be deemed to have abandoned its Creditor's Claim if, before the declaration of a final dividend under the Trust Deed, the Participating Creditor:

17.4.1. fails to submit a formal proof of debt or Claim in respect of its Creditor's Claim; or

17.4.2. having submitted a formal proof of debt or Claim in respect of the Claim which is rejected, the Participating Creditor fails to appeal to a court against the rejection, within the time allowed for such an appeal under the Act or the Regulations.

17.5. Pursuant to section 444DB of the Act, the Trustees as applicable must determine that the whole, or any particular part, of a debt by way of superannuation contribution is not admissible to proof if a debt by way of superannuation guarantee charge:

17.5.1. has been paid; or

17.5.2. is, or is to be, admissible to proof; and

17.5.3. the Trustees are satisfied that the superannuation guarantee charge is attributable to the whole, or that part, of the first-mentioned debt.

17.6. The Trust will terminate and the Trustees will resign after the final distribution has been made under the Trust Deed.

18. Distributions from the Creditors' Trust

18.1. The Available Property will be distributed as follows:

18.1.1. Firstly, at the times during the existence of the Creditors' Trust determined by the Trustees, all Administration Costs, DOCA Costs and Trustees Costs, to the extent not already paid pursuant to clause 9.1.1;

18.1.2. Secondly, at the conclusion of the adjudication of Creditors' Claims process by the Trustees and after payment of the amounts in clause 18.1.1, the balance of the Available Property will be distributed in the following order of priority:

(a) First, to Class A Creditors for Priority Creditors' Claims admitted to proof by the Trustees (if any);

(b) Next, to Class B Creditors for Priority Creditors' Claims admitted to proof by the Trustees (if any);

(c) Next, a distribution of $1,000 will be made to Class E Creditors for Creditors' Claims admitted to proof by the Trustees (if any), to be shared pro rata;

(d) Next, a distribution of $1,000 will be made to Class F Creditors for Creditors' Claims admitted to proof by the Trustees (if any), to be shared pro rata;

(e) Next, a distribution of $1,000 will be made to Class H Creditors for Creditors' Claims admitted to proof by the Trustees (if any), to be shared pro rata; and

(f) Next, all remaining funds will be distributed to the Class D Creditor.

18.1.3. For the avoidance of doubt, there will be no distributions to Class G Creditors from the Creditors' Trust.

19. Creditor Meetings

19.1. Meetings of Creditors of Bardot:

19.1.1. may be convened by the Deed Administrators from time to time by giving Creditors at least 5 Business Days' notice under and in accordance with Division 75 of the Insolvency Practice Schedule; and

19.1.2. must be convened by the Deed Administrators when required to do so under Division 75 of the Insolvency Practice Schedule.

19.2. For the avoidance of doubt, Creditors with Excluded Claims will be entitled to vote at all meetings of Creditors of Bardot (including the meeting for the approval of the DOCA).

20. Remuneration and Indemnity

20.1. The Administrators, Deed Administrators and Trustees will be remunerated for their services pursuant to the DOCA and the Creditors' Trust at their usual hourly rates subject to approval being obtained in accordance with s60-10 of Schedule 2 (Insolvency Practice Schedule (Corporations)) of the Act.

20.2. The Administration Costs, DOCA Costs and actual and expected Trustees Costs will be paid from the cash at bank held by the Deed Administrators immediately prior to establishment of the Creditors' Trust as contemplated by clause 9.1.1. To the extent of any shortfall on the Trustees Costs, the shortfall will be paid from the Available Property and have first priority out of the Available Property. Any unused potion paid in respect of the Trustees Costs will be remitted to the Creditors' Trust and form part of the Available Property.

20.3. The Administrators, the Deed Administrators and each partner and employee of the Administrators and the Deed Administrators will be indemnified out of the assets of Bardot and the Creditors' Trust for:

20.3.1. the remuneration, costs, fees, liabilities and expenses to which the Administrators are entitled as voluntary administrators of Bardot and the Deed Administrators are entitled as administrators of the DOCA;

20.3.2. all liabilities and debts incurred or paid by the Administrators or Deed Administrators (or any of them) in the performance or purported performance or exercise or purported exercise of any of their respective powers, rights and functions as the voluntary administrators of Bardot or administrators of the DOCA (as applicable);

20.3.3. all liabilities and debts incurred by Bardot for which the Administrators or Deed Administrators are liable which were properly incurred during the voluntary administration period or DOCA Period (as applicable); and

20.3.4. all actions, suits, proceedings, accounts, claims and demands arising out of the voluntary administration of Bardot, the DOCA or the Creditor's Trust which may be commenced, incurred by or made on the Administrators or the Deed Administrators in their capacity as voluntary administrators of Bardot or administrators of the DOCA (as applicable) or any of them by any person and against all costs, charges and expenses incurred by the Administrators or the Deed Administrators in their capacity as voluntary administrators of Bardot or administrators of the DOCA (as applicable) in respect thereof.

20.4. The Trustees and each partner and employee of the Trustees will be indemnified out of the assets of the Creditors' Trust for:

20.4.1. the remuneration, costs, fees, liabilities and expenses to which the Trustees are entitled trustees of the Creditors' Trust;

20.4.2. all liabilities and debts incurred or paid by the Trustees in the performance or purported performance or exercise or purported exercise of any of their respective powers, rights and functions as the trustees of the Creditors' Trust;

20.4.3. all liabilities and debts incurred by Bardot for which the Trustees are liable which were properly incurred during the existence of the Creditors' Trust; and

20.4.4. all actions, suits, proceedings, accounts, claims and demands arising out of the voluntary administration of Bardot, the DOCA or the Creditor's Trust which may be commenced, incurred by or made on the Trustees in their capacity as trustees of the Creditors' Trust or any of them by any person and against all costs, charges and expenses incurred by the Trustees in their capacity as trustees of the Creditors' Trust in respect thereof.

20.5. The Administrators and Deed Administrators will have a lien over the assets of Bardot and the Creditors' Trust to secure their right of indemnity.

20.6. The Trustees will have a lien over the Creditors' Trust to secure their right of indemnity.

20.7. The indemnities and liens in this clause 20 are without limitation as to time and continue despite the removal or retirement of the Administrators, the Deed Administrators or the Trustees (as applicable) or the termination of the DOCA or the Creditors' Trust for any reason whatsoever.

20.8. The indemnities and liens in this clause 20 have priority over all other Claims of Creditors (other than those of any owner or lessor of Property) to the maximum extent permitted by law.

21. General

21.1. The DOCA will incorporate the necessary content and mechanics to give effect to this proposal, including standard boilerplate clauses found in a DOCA of this type.

21.2. If there is any inconsistency between the DOCA and the constitution of Bardot or any other obligations binding on Bardot, then the DOCA prevails to the extent of that inconsistency.

21.3. The DOCA may only be varied by a resolution passed at meetings of the Creditors convened in a manner that is either consistent with Division 75 of Schedule 2 (Insolvency Practice Schedule (Corporations)) of the Act or as set out in the DOCA, but only if the variation is not materially different from a proposed variation set out in a notice of meeting.

21.4. The parties acknowledge that the terms set out in this proposal are subject to the obligations the Administrators and the Deed Administrators have to Creditors under law.

21.5. The Deed Administrator's lawyers will prepare the DOCA and Creditors' Trust Deed and each party will bear their own costs in connection with the DOCA and the Creditors' Trust.

22. Governing law

22.1. This proposal is governed by the laws of New South Wales.

22.2. Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

Date: 17 March 2020

Article II. Schedule 1 – Class E Creditors

Ref	Creditor Name	Approximate debt
E1	SHANGHAI ZHONGZHI GARMENTS CO	$8,445,981.04
E2	HANGZHOU WANTONG TRADING	$5,406,142.93
	Total	$13,852,123.97

Article III. Schedule 2 – Class F Creditors

Ref	Creditor Name	Estimated Debt
F1	MACQUARIE TELECOM	$65,790.80
F2	RUSSELL KENNEDY PTY LTD	$6,659.95
F3	THE RETAIL SCORE	$3,630.00
F4	ADCORE	$3,603.04
F5	RITEQ PTY LIMITED	$2,719.20
F6	GTONE INTERNATIONAL CO LTD	$1,953,905.61
F7	HORIZONS IMPORT AND EXPORT LIMITED	$1,884,802.80
F8	HANGZHOU ISSUE FASHION APPAR	$1,511,308.29
F9	CREATIVE RESOURCES INT'L LTD	$1,323,006.22
F10	SHENZHOU JIN DA DI GARMENTS CO	$1,028,222.68
F11	BLACK PEONY GROUP I&E CO LTD	$705,580.45
F12	WUXI ZHONGFU CORPORATION	$629,663.59
F13	NANJING SOHOPARK I AND E CO LT	$495,388.12
F14	BUSINES DIRECT LIMITED	$268,507.36
	Total	$9,882,788.11

Article V. Schedule 3 – Stores to be maintained

Store ref	Store Name
Store 1	Parramatta
Store 2	Bankstown
Store 3	Wetherill Park
Store 4	Bondi
Store 5	Burwood
Store 6	Wollongong
Store 7	Hurstville
Store 8	Highpoint
Store 9	Chadstone
Store 10	Southland
Store 11	Epping
Store 12	Northland
Store 13	Melbourne Central
Store 14	Doncaster

Article VII. Schedule 4 – Head Office employees to be retained

To be confirmed

Article VIII. Schedule 5 – NAB security interests

Registration number	Collateral
201112101869255	All present and after-acquired property - No exceptions
201112151064303	All present and after-acquired property - No exceptions
201112151064388	All present and after-acquired property - No exceptions
201112160458470	All present and after-acquired property - No exceptions
201112160815735	All present and after-acquired property - No exceptions
201112160904966	All present and after-acquired property - No exceptions
201112160905027	All present and after-acquired property - No exceptions
201112161137240	All present and after-acquired property - No exceptions
201112161342196	All present and after-acquired property - No exceptions
201112180091844	All present and after-acquired property - No exceptions
201112190072508	All present and after-acquired property - No exceptions
201112190383701	All present and after-acquired property - No exceptions
201112190523844	All present and after-acquired property - No exceptions
201112190873501	All present and after-acquired property - No exceptions
201112200034221	All present and after-acquired property - No exceptions
201112200035381	All present and after-acquired property - No exceptions
201112200252262	All present and after-acquired property - No exceptions
201112201218529	All present and after-acquired property - No exceptions
201112201462289	All present and after-acquired property - No exceptions
201112201509190	All present and after-acquired property - No exceptions
201112202319370	All present and after-acquired property - No exceptions
201112203354964	All present and after-acquired property - No exceptions
201112204848148	All present and after-acquired property - No exceptions
201112205275143	All present and after-acquired property - No exceptions
201112211380077	All present and after-acquired property - No exceptions
201112211406160	All present and after-acquired property - No exceptions
201112211407050	All present and after-acquired property - No exceptions
201112211520022	All present and after-acquired property - No exceptions
201112211746167	All present and after-acquired property - No exceptions
201112211859702	All present and after-acquired property - No exceptions
201112212694396	All present and after-acquired property - No exceptions
201112212694768	All present and after-acquired property - No exceptions
201112220597370	All present and after-acquired property - No exceptions
201112220597423	All present and after-acquired property - No exceptions
201112220675186	All present and after-acquired property - No exceptions
201112230380900	All present and after-acquired property - No exceptions

Registration number	Collateral
201112230387926	All present and after-acquired property - No exceptions
201112230387942	All present and after-acquired property - No exceptions
201112230400599	All present and after-acquired property - No exceptions
201112230512045	All present and after-acquired property - No exceptions
201112230512111	All present and after-acquired property - No exceptions
201112290054896	All present and after-acquired property - No exceptions
201201010012365	All present and after-acquired property - No exceptions
201201010012377	All present and after-acquired property - No exceptions
201201010116591	All present and after-acquired property - No exceptions
201202030160182	Other goods
201401240280876	All present and after-acquired property - No exceptions

Article IX. Schedule 6 – Other security interests

Registration Number	Colateral	Secured Party
201202170059392	Other goods	GISPAC PTY LIMITED;ACN:081934278
201205170084596	Financial property - Chattel paper	ISLAND PACIFIC AUSTRALIA PTY LIMITED;ACN:099 004 145
201205170086010	Other goods	ISLAND PACIFIC AUSTRALIA PTY LIMITED;ACN:099 004 145
201211130030747	Other goods	FUJI XEROX FINANCE LIMITED;ACN:001419807 FUJI XEROX AUSTRALIA PTY. LIMITED;ACN:000341819
201412020036869	Other goods	OMNI PTY LTD;ACN:609971717
201412170042375	Other goods	WINC AUSTRALIA PTY LIMITED;ACN:000728398
201702080041646	Other goods	BEESKNEES IMPORTS PTY LTD;ACN:113317990
201705190034626	Other goods	STOCKLAND TRUST MANAGEMENT LIMITED;ACN:001900741
201707260005761	Other goods	DATA#3 LIMITED.;ACN:010 545 267
201805040041592	Other goods	OMNI PTY LTD;ACN:609971717

Article XI. Schedule 7 – Inventory categories

1. Store Retail Pre Appointment Category 1

Any inventory held by Bardot in the Continuing Stores on Completion of the DOCA that is:

a) from the inventory lines identified on Schedule 8; and
b) was held by Bardot on the date of the Administrator's appointment.

The Stock Consideration rate for this category of inventory is 45% of cost.

2. Store Retail Pre Appointment Category 2

Any inventory held by Bardot in the Continuing Stores on Completion of the DOCA that is:

a) from the inventory lines identified on Schedule 9; and
b) was held by Bardot on the date of the Administrator's appointment.

The Stock Consideration rate for this category of inventory is 1% of cost.

3. Store Retail December & January Inventory Category 1

Any inventory held by Bardot in the Continuing Stores on Completion of the DOCA that is:

a) from the inventory lines identified on Schedule 10; and
b) was received by Bardot between 29 November 2019 and 31 January 2020.

The Stock Consideration rate for this category of inventory is 45% of cost.

4. Store Retail December & January Inventory Category 2

Any inventory held by Bardot in the Continuing Stores on Completion of the DOCA that is:

a) from the inventory lines identified on Schedule 11; and
b) was received by Bardot between 29 November 2019 and 31 January 2020.

The Stock Consideration rate for this category of inventory is 1% of cost.

5. Store Retail Forward Intake Inventory Category 1

Any inventory held by Bardot in the Continuing Stores on Completion of the DOCA that was received by Bardot between 1 February 2020 and Completion of the DOCA from the inventory lines on Schedule 12;

The Stock Consideration rate for this category of inventory is 50% of cost.

6. Store Retail Forward Intake Inventory Category 2

Any inventory held by Bardot in the Continuing Stores on Completion of the DOCA that was received by Bardot between 1 February 2020 and Completion of the DOCA from the inventory lines on Schedule 13;

The Stock Consideration rate for this category of inventory is 1% of cost.

7. Warehouse Faulty Inventory

All inventory held by Bardot in the Warehouse on Completion of the DOCA that is identified as “AART”.

The Stock Consideration rate for this category of inventory is 0% of cost.

8. Warehouse Sample Inventory

All inventory held by Bardot in the Warehouse on Completion of the DOCA that is identified as “AASA”.

The Stock Consideration rate for this category of inventory is 0% of cost.

9. Warehouse Abbotsford Inventory Category 1

All inventory held by Bardot in the Warehouse on Completion of the DOCA that is identified as “AARE” from the inventory lines on Schedule 14;

The Stock Consideration rate for this category of inventory is 45% of cost.

10. Warehouse Abbotsford Inventory Category 2

All inventory held by Bardot in the Warehouse on Completion of the DOCA that is identified as “AARE” from the inventory lines on Schedule 15;

The Stock Consideration rate for this category of inventory is 1% of cost.

11. Warehouse Inventory AQR Category 1

Any inventory ordered by Bardot that as at Completion of the DOCA is in the AQR warehouse identified as “AQAA and AQOL”, from the inventory lines on Schedule 16;

The Stock Consideration rate for this category of inventory is 45% of cost.

12. Warehouse Inventory AQR Category 2

Any inventory ordered by Bardot that as at Completion of the DOCA is in the AQR warehouse identified as “AQAA and AQOL”, from the inventory lines on Schedule 17;

The Stock Consideration rate for this category of inventory is 1% of cost.

13. In Transit Retail

Any inventory ordered by Bardot that as at Completion of the DOCA is in transit.

The Stock Consideration rate for this category of inventory is 0% of cost. Bardot will assume liability for these orders.

14. In Factory Retail

Any inventory ordered by Bardot that as at Completion of the DOCA has not been receipted by Bardot from the manufacturer.

The Stock Consideration rate for this category of inventory is 0% of cost. Bardot will assume liability for these orders.

15. LA Sales Order Inventory

Any Bardot inventory held in the Los Angles warehouse marked “UOWS” that as at Completion of the DOCA has not been invoiced but has been reserved for a specific sales order.

The Stock Consideration rate for this category of inventory is 50% of cost. This stock is to be held in trust. The administrator will be paid as the stock is delivered and invoiced to the wholesale customer.

16. LA Free Inventory

Any Bardot inventory held in the Los Angles warehouse marked “UOWS” that as at Completion of the DOCA has not been invoiced or reserved for a specific sales order.

The Stock Consideration rate for this category of inventory is 1% of cost.

17. HK Sales Order Inventory

Any Bardot inventory held in the Hong Kong warehouse marked “DINT” that as at Completion of the DOCA has not been invoiced but has been reserved for a specific sales order.

The Stock Consideration rate for this category of inventory is 50% of cost. This stock is to be held in trust. The administrator will be paid as the stock is delivered and invoiced to the wholesale customer.

18. HK Free Inventory

Any Bardot inventory held in the Hong Kong warehouse marked “DINT” that as at Completion of the DOCA has not been invoiced or reserved for a specific sales order.

The Stock Consideration rate for this category of inventory is 1% of cost.

19. SH Sales Order inventory

Any Bardot inventory held in the Shanghai Warehouse marked “DSHA” that as at Completion of the DOCA has not been invoiced but has been reserved for a specific sales order.

The Stock Consideration rate for this category of inventory is 50% of cost. This stock is to be held in trust. The administrator will be paid as the stock is delivered and invoiced to the wholesale customer.

20. SH Free Inventory

Any Bardot inventory held in the Shanghai warehouse marked “DSHA” that as at Completion of the DOCA has not been invoiced or reserved for a specific sales order.

The Stock Consideration rate for this category of inventory is 1% of cost.

21. Ecommerce/ USA.com/ Nordstrom Dropship Inventory Category 1

Any Bardot inventory from the inventory lines identified in Schedule 16 and held by O'Neills at Completion of the DOCA in the United States and marked "UOOL" from the inventory lines on Schedule 18;

The Stock Consideration rate for this category of inventory is 50% of cost.

22. Ecommerce/ USA.com/ Nordstrom Dropship Inventory Category 2

Any Bardot inventory from the inventory lines identified in Schedule 16 and held by O'Neills at Completion of the DOCA in the United States and marked "UOOL" from the inventory lines on Schedule 19;

The Stock Consideration rate for this category of inventory is 1% of cost.

23. Warehouse Boutique

All inventory held by Bardot in the Warehouse on Completion of the DOCA that is identified as "AAWS".

The Stock Consideration rate for this category of inventory is 0% of cost.

24. Damco Australia SOH

All inventory held by Bardot in the Warehouse on Completion of the DOCA that is identified as "DAUS".

The Stock Consideration rate for this category of inventory is 0% of cost.

25. In Transit Wholesale Stock

Any inventory ordered by Bardot that as at Completion of the DOCA is in transit.

The Stock Consideration rate for this category of inventory is 0% of cost. Bardot will assume liability for these orders.

26. In Factory Wholesale Stock

Any inventory ordered by Bardot that as completion of the DOCA has not been receipted by Bardot from the manufacturer.

The Stock Consideration rate for this category of inventory is 0% of cost. Bardot will assume liability for these orders.

Article XIII. Schedule 8 – Store Retail Pre Appointment Category 1 – stock lines

To be confirmed

Article XV. Schedule 9 – Store Retail Pre Appointment Category 2 – stock lines

To be confirmed

Article XVII. Schedule 10 – Store Retail December & January Inventory

Category 1 – stock lines

To be confirmed

Article XIX. Schedule 11 – Store Retail December & January Inventory Category 2 – stock lines

To be confirmed

Article XXI. Schedule 12 – Store Retail Forward Intake Inventory

Category 1 – stock lines

Article XXII.

Article XXIII.

To be confirmed

Article XXIV.

Article XXVI.Schedule 13 – Store Retail Forward Intake Inventory

Category 2 – Stock lines

To be confirmed

Article XXVII. Schedule 14 - Warehouse Abbotsford Inventory

Category 1 – stock lines

To be confirmed

Article XXVIII. Schedule 15 - Warehouse Abbotsford Inventory Category 2 – stock lines

To be confirmed

Article XXIX.Schedule 16 - Warehouse Inventory AQR Category 1 – stock lines

To be confirmed

Article XXX. Schedule 17 - Warehouse Inventory AQR Category 2 – stock lines

To be confirmed

Article XXXI.Schedule 18 - Ecommerce/ USA.com/ Nordstrom Dropship

Inventory Category 1 – stock lines

To be confirmed

Article XXXII. Schedule 19 - Ecommerce/ USA.com/ Nordstrom Dropship Inventory Category 2 – stock lines

To be confirmed

Article XXXIII. Schedule 20 – Inventory cost calculation

Initial price is the supplier unit price in USD

Supplier unit price is then either paid in USD or converted to AUD using the an exchange rate to be agreed between the parties.

All landed costs provided are in AUD

Orders with a warehouse destination of Australia (DAUS)

Include add ons (total $1.95)

Storage $0.09

Pick and Pack $ 0.46

Consumables $0.29

Vas $0.15

Trucking $0.18

Warehouse $0.40

Origin handling $0.05

Destination handling $0.33

Include freight

SEA $0.70

Orders with a warehouse destination of America (UOWS, UOOL)

Include duty

For intake received prior to Sept 2019 17%

For intake received Sept 2019 onwards 32%

Include add ons (total $0.92)

Storage $0.09

Pick and Pack $ 0.00

Consumables $0.29

Warehouse $0.40

Origin handling $0.05

Destination handling $0.09

Include freight

SEA $0.80

Orders with a warehouse destination of Shanghai (DINT, DSHA)

Include duty

12%

Include add ons (total $1.95)

Storage $0.09

Pick and Pack $ 0.46

Consumables $0.29

Vas $0.15

Trucking $0.18

Warehouse $0.40

Origin handling $0.05

Destination handling $0.33

Include freight

SEA $0.80

Executed

Signed by Bardot Pty Ltd (Administrators Appointed) ACN 074 147 434 by its joint and several administrator:

Richard Bastow

Witness

Richard Bastow

Name of witness (print)

Administrator

Brendan Richards

Signed by Ms Koula Skoufi in the presence of:

Chris Tratt

Signature of witness

Name of witness (print)

Signature of Ms Koula Skoufi