

Our Ref: Perth 438181.0005/002/MP

24 May 2019

**Rosendorff Diamond Jewellers Pty Ltd ACN 009 173 139
(Receivers and Managers Appointed) (Administrators Appointed)
ATF Rosendorff Diamond Jewellers Trust ("the Company")**

CIRCULAR TO CREDITORS

I refer to the appointment of Joseph Ronald Hansell and I, Daniel Hillston Woodhouse, as Joint and Several Administrators of the Company on 29 April 2019.

SECOND MEETING OF CREDITORS

The Administrators are required under the law to convene a second meeting of creditors, at which creditors will vote on the future of the Company.

I advise that the second meeting of creditors of the Company will be held on **Tuesday, 4 June 2019** at **11:00am (AWST)** at the 'Seminar Room', Central Park Business Centre, 152-158 St Georges Terrace, PERTH WA 6000. Creditor documentation for the meeting must be submitted to FTI Consulting by no later than **4:00pm (AWST) Friday, 31 May 2019**.

Please find enclosed the following documents to this circular:

1. Administrators' Report pursuant to section 75-225 of the *Insolvency Practice Rules (Corporations) 2016*;
2. Administrators' Remuneration Approval Report;
3. Notice of Second Meeting of Creditors;
4. Appointment of Proxy Form; and
5. Formal Proof of Debt or Claim Form.

Creditors are requested to carefully read the important notes with respect to the completion of the Formal Proof of Debt and Proxy forms.

Should you have any queries in relation to the second meeting of creditors, the above documents or the voluntary administration generally, please contact Robert Beaumont of this office by phone (08) 6430 1331 or by email robert.beaumont@fticonsulting.com.



Daniel Woodhouse
Joint and Several Administrator

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DETAILS AND NOTICES FOR THE SECOND MEETING OF CREDITORS

- **Notice of the Second Meeting of Creditors of Company under Administration**

The agenda for the meeting is set out in the attached notice.

Please arrive at the meeting venue at least 15 minutes before the scheduled commencement time in order to sign-in.

Telephone facilities are available for those creditors wishing to attend by telephone. If you wish to attend by telephone can you please contact Robert Beaumont on (08) 6430 1331 no later **than Friday, 31 May 2019 4:00 pm (AWST)** so that the necessary arrangements can be made.

- **Appointment of Proxy Form**

This form should be completed if you intend to appoint another person to act on your behalf at the meeting, or if you are a corporate creditor.

- **Formal Proof of Debt or Claim Form**

This form allows you to tell us what you are owed by the Company. You must send us a completed form if you wish to vote for the value of your debt at the meeting.

Rosendorff Diamond Jewellers Pty Ltd
(Receivers and Managers Appointed)
(Administrators Appointed) ACN 009 173 139
ATF Rosendorff Diamond Jewellers Trust
("Company")

*Report to creditors – Section 75-225 of the Insolvency Practice Rules
(Corporations) 2016*



24 May 2019

ROSENDORFF.
EXCELLENCE SINCE 1963

About This Report: A Guide For Creditors

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Daniel Hillston Woodhouse and Joseph Ronald Hansell

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Purpose of This Report

- The Administrators are required to prepare this report under the *Corporations Act 2001*. We are required to provide creditors with information about the Company's business, property, affairs and financial circumstances.
- This report and its attachments contain details about the forthcoming second meeting of creditors to be held on 4 June 2019 and our opinion and recommendation about the future of the Company and what is considered to be in the creditors' interests. Creditors are required to decide whether the:
 - Company should execute a DOCA; or
 - Administration of the Company should end; or
 - Company should be wound up.
- Alternatively, creditors can vote to adjourn the meeting for up to 45 business days to allow more time to make their decision, or for a DOCA proposal to be put forward.

Information Included

- This report contains the information we are required by law to include, plus other information considered materially relevant to creditors to enable them to make an informed decision about the Company's future.
- The *Table of Contents* on the following page lists the sections of this report. A glossary and certain other information, including details about our claim for remuneration, is included in appendices and should be read in conjunction with the report.

Key Messages and Recommendations

- Pages 4 to 8 summarises the items considered to be the most important for creditors, and includes our recommendation to creditors.

Details and Forms for the Forthcoming Creditors' Meeting

- All details, forms and instructions relating to the meeting have been included with the covering letter and other documents attached to this report.

Questions and Help

- Please contact Robert Beaumont, if you are unsure about any of the matters raised in this report and the impact that any decision about the Company's future may have on you.



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I. Key Messages and Recommendations

I. Key Messages for Creditors

- Set out below is a summary of the key messages and recommendations that are detailed in this report. Please read this summary in conjunction of the remainder of the report, including the terms of reference contained in Appendix 1 and any other attachments.

Key areas	Commentary	Analysis
Background Information	<ul style="list-style-type: none"> ■ The Company, known widely as Rosendorff Diamond Jewellers, is an iconic, high-end jewellery store. It was incorporated in 1986; however, we understand that the Director has traded diamonds since 1975. ■ On 26 April 2018, the Company entered into a 12 month finance facility with the Secured Creditor. Under the terms of the Facility Agreement, the funds loaned by the Secured Creditor were to be used to pay, among others, the previous secured parties, the Landlord who had issued a statutory demand and employee entitlements that comprised of superannuation arrears. ■ The Facility Agreement expired on, or around 25 April 2019, with the Company being unable to raise any additional finance. ■ On 29 April 2019: <ul style="list-style-type: none"> ■ Joseph Hansell and I, Daniel Woodhouse, were appointed joint and several Voluntary Administrators of the Company in accordance with section 436C(1) of the Act; and ■ Scott Langdon, Richard Tucker and Rahul Goyal, of KordaMentha, were appointed as Receivers and Managers. 	Section II
Explanations for the Company's difficulties	<ul style="list-style-type: none"> ■ Based on our investigations thus far, the Company faced a challenging retail environment, with revenues declining over all years examined, while overheads remained relatively static through the same period. ■ The Company's deteriorating financial performance made it difficult to obtain additional external funding to support the Company's operations. However, it also appears that there has been cash leakage from the business, which has placed additional cash flow pressures on the Company. 	Section II
Administrators' actions and strategy	<ul style="list-style-type: none"> ■ The Receivers and Managers have been trading the business and realising the stock to pay the priority creditors, by virtue of the priority afforded in the Act, and the Secured Creditor. ■ As a result of the Receivers and Managers appointment, our role has been to investigate the Company's affairs, the events leading up to the Company's failure, liaising with the Director and his lawyers about a potential DOCA proposal and the likely recoveries in liquidation. 	Section III

I. Key Messages for Creditors (cont.)

Key areas	Commentary	Analysis
Estimated date of insolvency	<ul style="list-style-type: none"> ■ Our preliminary view is that the Company was insolvent at the date the Secured Creditor’s facility expired (on or around 25 April 2019). However, there is indicia to suggest the company had been experiencing significant cash flow pressure prior to the date the Company entered into the Facility Agreement with the Secured Creditor, with outstanding superannuation and a statutory demand issued by the Landlord in early 2018. 	Section IV
Voidable transactions and offences	<ul style="list-style-type: none"> ■ We have identified a number of transactions that may be voidable, including: <ul style="list-style-type: none"> ■ a series of payments to the ATO totalling \$251k, which are likely preferential, given the existence of a series of long standing payment plans; and ■ certain other transactions that appear irregular and warrant further investigation. 	Section IV
Offences by directors	<ul style="list-style-type: none"> ■ Based on our initial investigations, there is some indicia that: <ul style="list-style-type: none"> ■ there were inadequate controls arounds the accounting and inventory functions, which have lead to some anomalies in the financial accounts. ■ further investigations in relation to the Director’s obligations under sections 180 and 182 of the Act are required. ■ A liquidator, if appointed, would need to conduct these investigations. 	Section IV
Liability for insolvent trading	<ul style="list-style-type: none"> ■ As stated above, in our opinion, the Company was insolvent, at least, from the date the Secured Creditor’s facility expired, as the Company was unable to repay the facility, or refinance with another party. However, there are indications that the Company had been experiencing financial stress for a period of time, including before entering into the facility with the Secured Creditor on 26 April 2018. ■ A property search performed on the Director indicates that he owns one property in Australia. We have not sought an independent valuation to ascertain the current value of this property and we are unaware as to whether there is any equity in the property, at this stage. ■ Anecdotally, we understand the Director may also own a property in an international jurisdiction. ■ We will continue to investigate this potential claim, if we are appointed Liquidators. 	Section IV

I. Key Messages for Creditors (cont.)

Key areas	Commentary	Analysis
<p>Proposal for a deed of company arrangement</p>	<ul style="list-style-type: none"> ■ The Director’s lawyer has advised that the Director: <ul style="list-style-type: none"> ■ intends proposing a 90 day “Holding DOCA”, for creditors’ consideration. ■ believes a “Holding DOCA” is prudent, as: <ul style="list-style-type: none"> - the outcome of the Receivership has not yet been determined; and - if there is a surplus from the Receivership, there may be an opportunity to restructure the business and/or provide a better return to creditors than the Company’s immediate liquidation. ■ Voidable transactions are not available, if the Company executes a DOCA: this includes a “Holding DOCA”. ■ If we are to recommend a “Holding DOCA”, the proposal will need to provide compensation for any claims lost in the “Holding DOCA” and for the additional costs of the DOCA itself. Otherwise, entering into a “Holding DOCA” will likely diminish creditors’ position. 	<p>Section V</p>
<p>Estimated outcome for creditors</p>	<ul style="list-style-type: none"> ■ The return to creditors will be determined by the outcome of the Receivership. At this stage, based on our discussions with the Receivers and Managers, we understand that: <ul style="list-style-type: none"> ■ Secured Creditor: It is still uncertain as to whether the Secured Creditor will be repaid in full, or will suffer a shortfall; ■ Priority creditors (i.e. employees): Are likely to be paid in full from the Company’s circulating assets; and ■ Unsecured Creditors: A return will depend on the outcome of the Receivership, any proposed DOCA, or the outcome in Liquidation. All of these outcomes are still unknown. 	<p>Section VI</p>
<p>Remuneration</p>	<ul style="list-style-type: none"> ■ Under s 449E of the Act, the remuneration of the Administrators (and either the Deed Administrators or Liquidators, if appointed) can be fixed at the second meeting of creditors. Details of our proposed remuneration and resolutions are included in our Remuneration Approval Report. 	<p>Appendix 5</p>

I. Recommendation on the Company's Future

Our recommendation to creditors

No DOCA has been proposed at this stage. In the absence of a DOCA, it is our opinion that in the creditors' interests the Company be wound up and a liquidator appointed.

Options available to creditors	Option 1: Execute a DOCA	Option 2: Administration end	Option 3: Liquidation
Description	<ul style="list-style-type: none"> Whether it would be in the creditors' interests for the Company to execute a DOCA 	<ul style="list-style-type: none"> Whether it would be in the creditors' interests for the administration to end 	<ul style="list-style-type: none"> Whether it would be in the creditors' interests for the Company to be wound up
Key factors to consider	<ul style="list-style-type: none"> As no DOCA has been proposed at this stage, creditors cannot resolve to accept a DOCA at this time 	<ul style="list-style-type: none"> The Company is insolvent with no cash to pay all due debts and no confirmed prospects of obtaining external funding 	<ul style="list-style-type: none"> We have not been provided with a proposal for a DOCA for consideration at this stage and it is not appropriate that the administration ends as the Company is insolvent
Our opinion	<ul style="list-style-type: none"> Not in the creditors' interests that the Company execute a DOCA 	<ul style="list-style-type: none"> Not in the creditors' interests that the administration should end 	<ul style="list-style-type: none"> Is in the creditors' interests that the Company be wound up
Recommended option	Not recommended	Not recommended	Recommended
Potential to adjourn the meeting to a future date	<ul style="list-style-type: none"> The Administrators, or creditors may wish to adjourn the second meeting for up to 45 business days to allow time for a DOCA proposal to be submitted by the Director It is a matter for creditors to decide if they wish to adjourn the meeting 		

II. Background Information

II. Background information

Appointment of Administrators

- On 29 April 2019, Joseph Hansell and I, Daniel Woodhouse, were appointed joint and several Voluntary Administrators of the Company, in accordance with section 436C(1) of the Act.
- Richard Tucker, Scott Langdon and Rahul Goyal, of KordaMentha, were also appointed as Receivers and Managers on 29 April 2019. The Receivers and Managers have control of the Company's assets and are undertaking a realisation of stock for the benefit of the Secured Creditor.
- The Administrators have a duty to investigate the Company's business, property, affairs and financial circumstances. This report, amongst other things, outlines our investigations.

Administrator's Prior Involvement and Independence

- In accordance with s 436DA of the Act, we provided a DIRRI with our first report to creditors. The DIRRI included the circumstances that led to our appointment.
- There is no change to our assessment regarding our independence, or to the information provided in the DIRRI.
- We attach a copy of our DIRRI at **Appendix 4**.

Outcome of the First Meeting of Creditors

- The first meeting of creditors was held on Thursday, 9 May 2019 to consider the formation of a committee of creditors and whether or not to appoint different persons to be the Administrators of the Company.
- No committee was formed and there were no nominations to replace us as Administrators.

Second Meeting of Creditors

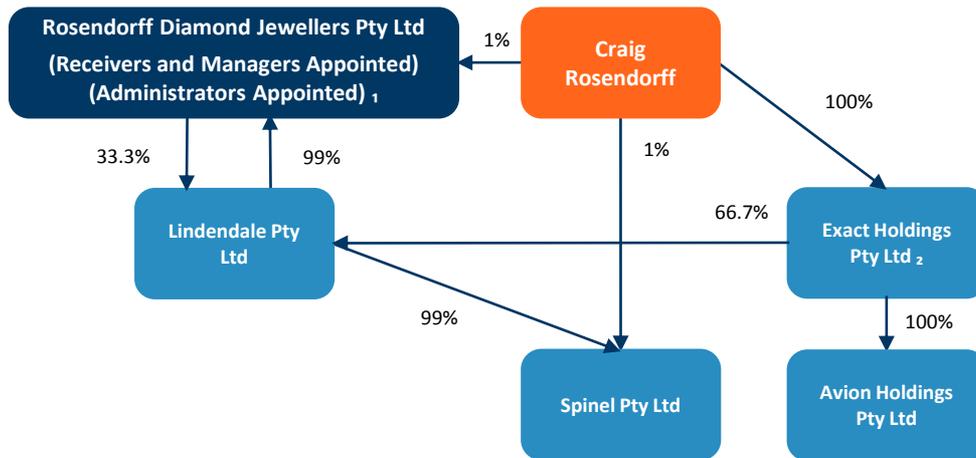
- This report also contains a notice for the second meeting of creditors to be held on Tuesday, 4 June 2019 at the Seminar Room, Central Park Business Centre, 152-158 St Georges Terrace, Perth WA 6000 at 11.00am WST.
- Teleconference facilities are available for the meeting. Please contact this office, if you want to attend the meeting by telephone.

Conduct of the Administration

- Since the commencement of our appointment, the Administrators have:
 - Discussed the affairs of the Company with the Director and his lawyer;
 - Reviewed and assessed the Company's financial position;
 - Notified key stakeholders of our appointment and attended to any questions;
 - Liaised with the Receivers and Managers in relation to their strategy to realise the Company's assets and the likelihood of a return from the Receivership;
 - Explored options available to the Company to maximise the return to creditors, including discussing terms of a potential DOCA; and
 - Investigated the Company's affairs prior to our appointment.
- Since the appointment of the Administrators and the Receivers and Managers, the Receivers and Managers have taken possession of and continue to trade the Company's business. We provide an update on the receivership in **Section III**.
- The Administrators' actions and dealings to date are also detailed in **Section III**.

II. Background Information

Corporate Structure



Notes:

1. Trustee of the Rosendorff Diamond Jewellers Trust
2. Trustee of the Exact Trust and the Exact Trust No.2

Statutory Information

Incorporation and Office	
Date of Registration	18 April 1986
Place of Registration	Western Australia
Registered Office / Principal Place of Business	Level 1, 671 Hay Street, PERTH WA 6000

Statutory Information cont.

Officeholder	Position	Date Appointed	Date Ceased
Craig Rosendorff	Director	22 April 1986	N/A
Craig Rosendorff	Secretary	30 May 2017	N/A

Shareholder	Shares Issued	Share Class	Amount Paid	Amount Due
Craig Rosendorff	2	ORD	\$2.00	Nil
Lindendale Pty Ltd	49,998	ORD	\$49,998.00	Nil

Details of Security Interests and Charges

- According to the PPSR, the following security interests are registered against the Company:

Secured Parties	Collateral Class	Registration Start Time	Registration End Time
Australia and New Zealand Banking Group Ltd	Account	14 May 2018	18 April 2043
	AllPAAP	25 June 2015	25 June 2040
Gordon Brothers Pty Ltd	AllPAAP	20 April 2018	N/A
	General Intangible	20 April 2018	N/A
	Other Goods – PMSI	20 April 2018	N/A
DSM (Pacific) Pty Ltd	Other Goods	26 November 2018	26 November 2025

- We note that the ANZ has a registered security. However, we understand all debts have been extinguished. We are seeking further clarification from the ANZ.

II. Background Information

Facility Agreement

- The Company entered into the Facility Agreement on, or around 26 April 2018. The terms of the Facility Agreement were as follows:

Facility Agreement Terms	\$
Funding	2,455,000
Facility Costs	
Facility Fee	60,000
Interest, paid as follows:	367,500
- \$183,750 on entering into the facility	
- 6 monthly payments of \$30,625 – start 6 months after funding	
Expiry	12 months

- Under the Facility Agreement, the borrowings were to be applied as follows:

Order and Application of Borrowings	\$
Facility fee and first interest instalment	243,750
Existing Secured Creditors	Not disclosed
AMP - Garden City	60,000
Landlord	200,000
Pallion Group	116,899
Employee Entitlements (Superannuation)	Not disclosed
Working Capital	Balance of funds

- On expiry, the balance owed under the Facility Agreement was due and payable. The Facility Agreement also allowed the Company to engage the Secured Lender to manage the sale of certain clearance stock. The proceeds, estimated at ~\$1.55m, was to be applied as follows:

Clearance Sale Proceeds	
Secured Creditor to receiver first	\$1,500,000
Balance	
Secured Creditor	25%
Company	75%

Company Operations and History

- The Company, known widely as Rosendorff Diamond Jewellers, is an iconic, high-end jewellery store.
- The Company was incorporated in 1986; however, we understand that the Director has traded diamonds since 1975.
- At its height, we understand the Company operated from three locations: Hay Street (Perth), Garden City (Booragoon) and Claremont Quarter (Claremont). However, at appointment it operated from its current location (Level 1, 671 Hay Street in Perth) and employed 22 staff.
- Based on our investigations and discussions with the Director, the Company hit its peak in 2012, but with the mining downturn saw a decline in revenue, putting pressure on margins. This has contributed to a deterioration in the financial performance of the Company in recent years and is not inconsistent with current retail conditions.

Director's Explanation for the Company's Difficulties

- The Director has advised that the Company's difficulties were primarily due to:
 - cash flow constraints stemming from higher leasing expenses and salaries;
 - the downturn in the mining industry in the last five years, which has created highly competitive and challenging retail market conditions; and
 - an increased online trading presence by major competitors, which the Company struggled to implement.

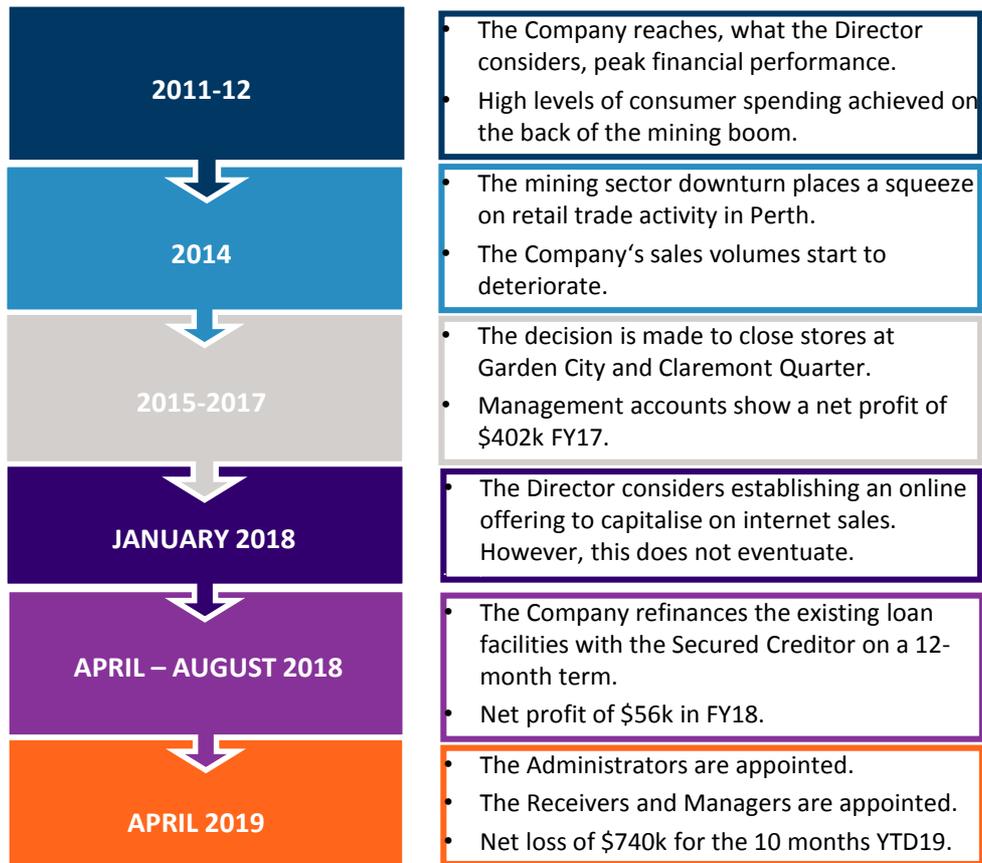
Administrators' Investigations into the Reasons for Failure

- In addition, we note that:
 - the Company's deteriorating financial performance made it difficult to obtain additional finance to support the Company's operations; and
 - cash leakage and inventory controls have also contributed to the Company's failure.

II. Background Information

History of Events Leading to our Appointment

- A number of factors contributed to our appointment. Based on our investigations and discussions with the Director, we provide the following chronological history from 2011:



Obligations to Maintain Books and Records

- Section 286(1) of the Act requires a Company to keep written financial records that correctly record and explain its transactions and financial position and performance, and would enable true and fair financial statements to be prepared and audited.

Opinion about Books and Records

- In considering compliance with this section, we have:
 - reviewed various financial reports to help us understand the Company's asset and liability positions.
 - reviewed:
 - the MYOB financial accounts; and
 - correspondence, files and documents relevant to the Company's financial position and performance.
 - investigated the financial records and data.
 - discussed the Company's finance function, processes and record keeping practices with the Director.
- In our view, as at the date of our appointment, the financial records of the Company have been maintained to allow financial accounts to be prepared in accordance with s 286 of the Act.
- Notwithstanding, we have identified certain irregularities in the accounts, which cause them to be inaccurate in their current form and would require adjustments. We note that this is not uncommon.
- Our discussions with the Director have led us to believe there were limited controls around the accounting and inventory function. The Receivers and Managers have identified similar issues, including an overstated inventory balance and irregularities with the layby and debtor balances.



II. Background Information

Opinion about Books and Records

- A liquidator, if appointed, would need to conduct further investigations in relation to accuracy of the Company's books and records to determine the extent of any misstatements and whether any financial misconduct existed prior to our appointment.

Limitations to Financial Reporting

- For the purposes of this report, the management accounts have been relied upon to assess the Company's historical financial position and performance. Where relevant, we have also reviewed the Company's tax returns for FY16 and FY17.

Outstanding Winding Up Applications

- Based on searches performed at the time of our appointment, no winding up applications appear to have been lodged with a Court against the Company.

III. Strategy and Financial Position

III. Actions and Strategy to Date

Conduct of the Administration

- The Receivers and Managers continue to trade the business to repay the Secured Creditor. Since our appointment, we have held discussions with the Director and his lawyer about the Company and a potential DOCA, liaised with creditors, undertaken our investigations and prepared this report.

Receivers and Managers' Update

- The Receivers and Managers have provided the following update on the operations of the Company since the date of appointment:
 - The Company's records, at the date of appointment, disclosed a stock on hand value of ~\$4.5m. The Receivers and Managers have confirmed that a stocktake was completed on 6 May 2019, which identified stock of ~\$2.7m at recorded cost value. This represents a recorded stock deficiency of ~\$1.8m. We provide a reconciliation of inventory on page 21.
 - The Company operated two bank accounts with the ANZ. Pre-appointment funds recovered from these accounts totalled \$32k. These funds were secured by the Receivers and Managers.
 - Three transactions totalling \$110k have been identified where no money was received but the stock was released to the customer. The Director has been asked to provide further details in relation to this balance.
 - Enquiries have also been made with another party for a transaction valued at \$60k, again where stock has left the store without payment.
 - Responses are yet to be received from either the Director, or the counterparties in relation to these amounts.
 - The Receivers and Managers undertook an Expressions of Interest sale campaign, inviting offers from interested parties. At the completion of the campaign, only one expression of interest was received. The expression of interest received is confidential and the specific details of the offer cannot be disclosed at this time, as the terms continue to be negotiated.

- A summary of the sales and related costs for the Receivers' trading period is presented below:

Receivership Trading Period to Date - 29 April 2019 to 21 May 2019	
A\$'000	Value at Cost (\$)
Sales	
Existing Stock	2,170
Consignment	249
Less: Costs Associated to Sales	
Existing Stock	1,342
Consignment	152
Net Trading Position	924

III. Company's Financial Position at Appointment

Report On Company Activities and Property Part A by the Director

- Immediately after appointment, we requested that the Director provide a statement about the Company's business, property, affairs and financial circumstances in the form of a ROCAP Part A (Form 507) (**ROCAP Part A**).
- We received a ROCAP Part A completed by the Director on 3 May 2019. The Director did not disclose any values for the assets and liabilities of the Company, as he advised that he no longer had access to the Company's accounting records. As a result, we provided data from the Company's management accounts to the Director for his consideration, to complete the ROCAP Part A.
- On 9 May 2019, the Administrators discussed the contents of the ROCAP Part A with the Director. The Director was unable to verify the data provided to him and was unwilling to disclose the data from the Company's management accounts in the ROCAP Part A. The Director stated that, as he no longer had control over the Company's management accounts, he could not verify its accuracy.
- As a result, the Administrators lodged the incomplete ROCAP Part A with ASIC, noting the Director was not prepared to verify the information on the basis that the requested financial information could not be verified.

Administrators' Notes

- Notwithstanding the Director's position, we provide the following comments, which are based on the Company's books and records and our investigations.
 1. The Company operated two bank accounts with ANZ. Pre-appointment funds recovered from these accounts totalled ~\$32k. These funds were secured by the Receivers and Managers. A review of the Company's bank statements reveal that the payments listed opposite were processed on the date of appointment. We continue to investigate these payments and whether they may be recoverable for creditors' benefit.

Payee	Value (\$)
Chemgold	1,779
Instamarketing	4,000
Lease Equity	2,350
Director Drawings	10,500
Off-shore Telegraphic	6,354
Maccabi Diamonds	8,500
Total	33,483

2. As previously noted, the Receivers and Managers have confirmed that a stocktake was completed on 6 May 2019, with stock of ~\$2.7m on hand. Further comments are provided on page 20 in relation to the inventory reconciliation performed by the Receivers and Managers.
3. The Company's trade debtors totalled ~\$270k at appointment. A number of issues regarding the trade debtor balance have been identified in relation to the Company's records, which are disclosed as follows:

Description	Value (\$)
Lay-By Debtors	269,860
Doubtful Debts	(110,000)
Erroneous Debts	(16,200)
Estimated True Realisable Lay-By Balance	143,660

4. Plant and equipment has been recorded as ~\$333k in the Company's management accounts. A valuation has not yet been commissioned to determine its value.
5. The value of assets subject to specific security interests will be dependant upon the outcome of the Receivership.

III. Company's Financial Position at Appointment

Administrators' Notes cont.

6. A summary of the estimated outstanding employee entitlements at the date of appointment are as follows:

Employee Entitlements	Value (\$)
Wages ^a	-
Superannuation ^b	13,558
Annual Leave ^b	68,642
Long Service Leave ^b	59,005
Payment in Lieu of Notice ("PILN") ^c	70,160
Superannuation on PILN ^c	6,665
Redundancy ^c	182,335
Total Employee Entitlements	400,365

- a. Wages were paid fortnightly by the Company. Upon appointment, all outstanding wages were paid by the Receivers and Managers for the period 18 April 2019 to the date of appointment.
b. Outstanding superannuation, annual leave and long service leave. The Receivers and Managers are likely to attend to payment of the outstanding entitlements from the sale of the circulating assets.
c. Will only become payable in the event that the Company is shutdown, failing a business going concern sale.

7. We have been advised by the Secured Creditor that the debt owing at the date of appointment is ~\$2.2m.

Financial Statements and Management Accounts

- Management accounts for the Company were obtained for FY17, FY18 and FY19 YTD.
- The Accountant advised that the Company had not prepared annual statutory accounts since FY16. For the purposes of this report, the management accounts have been relied on to assess the Company's historical financial position and performance. We have also reviewed the Company's tax returns for FY16 and FY17. The Company's FY18 tax return has not been lodged. Where appropriate, we have considered the tax returns to verify the Company's management accounts.

- The FY19 YTD financial results have been prorated annually for the purposes of assessing the financial performance on a like-for-like basis for prior periods. Please note that this does account for any seasonality impacts (such as an end of financial year sale).

Historical Financial Performance

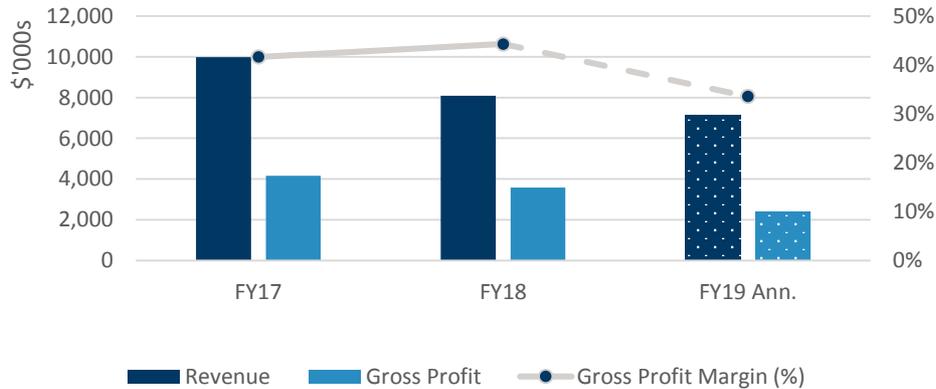
- Based on the Management accounts, we provide the Company's recent financial performance:

Profit and Loss Statement – Management Accounts					
A\$'000	Note	FY17	FY18	FY19 YTD	FY19 Ann.
Revenue	1	9,986	8,083	5,941	7,129
Cost of Sales		(5,827)	(4,505)	(3,949)	(4,739)
Gross Profit		4,159	3,577	1,992	2,390
Gross Profit Margin (%)	2	42%	44%	34%	34%
Expenses					
Employees	3	(2,015)	(1,677)	(1,159)	(1,391)
Administration		(530)	(701)	(537)	(644)
Facilities	4	(682)	(877)	(740)	(889)
Marketing		(334)	(227)	(225)	(270)
Selling		(9)	(38)	(16)	(19)
Total Operating Expenses	5	(3,571)	(3,521)	(2,678)	(3,214)
Operating Profit / (Loss)		588	57	(686)	(823)
Other Income / (Expenses)		(186)	(1)	(54)	(65)
Net Profit / (Loss)	6	402	56	(740)	(888)

III. Historical Financial Information

The Administrators note that:

1. Revenue declined in FY18 and annualised FY19. When annualised, revenue decreased by 12% on FY18 results. A highly competitive retail environment, deterioration of the mining sector and an increasing online sales presence are likely reasons for a weakening sales performance. Year on year decreases in sales and margins are illustrated in the below chart.
2. Margins were impacted in FY19 due to a number of sales that were held during the course of the year. These sales were undertaken to drive sales and boost revenue. We provide the following graphical analysis of the impact to revenue, gross profit and gross margin percentage over the last three years:



3. The Company responded to falling sales since FY17 by reducing staff headcount from 41 in FY17 to 31 in FY18. 22 staff were employed by the Company at the date of appointment. As a result, employee expenses have decreased year on year over this same period.

4. Facilities expenses primarily consist of rent and outgoings. Rent is revised at the beginning of each calendar year and has been revised upwards by 3.5% p.a., in accordance with the lease agreement. The facilities expense increase of 29% in FY18 arose from an application to challenge the lease agreement, which was brought before the State Administrative Tribunal. The appeal was unsuccessful and resulted in interest and penalties being levied, which the Company was required to pay.
5. Total operating expenses remained static, despite declining sales. We note that this is consistent with many retail businesses in distress.
6. Profit has deteriorated since FY16, with a marginal profit of \$56k in FY18 and a significant loss in FY19 YTD of \$740k.

III. Historical Financial Information

Balance Sheet – Management Accounts

A\$'000	Note	FY17	FY18	FY19 YTD
Current Assets				
Receivables	1	4,852	5,464	6,073
Inventory	2	6,352	5,412	5,178
Other Current Assets		2,806	3,009	2,735
Total Current Assets		14,010	13,884	13,986
Non-Current Assets				
Plant, Property & Equipment		324	325	333
Total Non-Current Assets		324	325	333
Total Assets		14,334	14,209	14,319
Current Liabilities				
Payables		1,162	1,345	2,282
Related Party Loans	3	6,190	6,189	6,189
Other Current Liabilities		2,059	878	1,013
Total Current Liabilities		9,411	8,412	9,484
Non-Current Liabilities				
Bank Loans	4	1,509	2,327	2,109
Related Party Loans	3	11,765	11,764	11,760
Total Non-Current Liabilities		13,274	14,091	13,869
Total Liabilities		22,684	22,503	23,353
Net Assets		(8,350)	(8,294)	(9,034)

Historical Financial Position

The table adjacent details the Company's historical financial position. The Administrators note that:

- ~\$5.6m of the total receivables balance are monies owed by related parties, as follows:

Receivables Summary – Management Accounts

A\$'000	FY17	FY18	FY19 YTD
Trade Receivables	218	188	501
Related Party Loans	4,634	5,276	5,572
Total Receivables	4,852	5,464	6,073

- The management accounts indicate total inventory of ~\$5.2m. However, the stock listing provided to the Receivers and Managers had a value of ~\$4.5m. The Receivers and Managers have advised that a stocktake was undertaken and finalised on 6 May 2019. The stocktake identified inventory totalling ~\$2.7m (i.e. ~\$1.8m less than the stock listing). The Receivers and Managers have reconciled the deficiency from the Company's records as follows:

Inventory Reconciliation - Summary

A\$'000	Notes	Value at Cost (\$)
Recorded Stock Listing		4,500
Less:		
Consignment Stock	a	191
Returned Stock	b	657
Unaccounted Stock	c	952
Actual Stock Value		2,700

III. Historical Financial Information

Historical Financial Position

Notes to the Inventory Reconciliation

- a. Consignment stock recorded in the Company's records, but not actually owned by the Company.
 - b. Stock returned prior to appointment, but not deducted from the carrying value in the Company's records.
 - c. Stock that is unaccounted for at this time. Further investigations are required to determine the whereabouts of this stock.
3. As at the date of appointment, the related party loan balance was ~\$18m, as follows:

Related Party Loans - Summary	
A\$'000	FY19 YTD
Current Liability	6,189
Non-Current Liability	11,760
Total	17,949

The Director advises that these are legacy loans, which have been recorded for many years and remain relatively static. Further commentary regarding related party loans is provided opposite.

4. The Secured Creditor's loan has been recorded as non-current. However, the term of the loan was for 12 months. Accordingly, it should be classified as a current liability. Further commentary in relation to the treatment of the Facility as a current liability is disclosed in **Section IV**.

Related Party Debtors and Creditors

- We provide the following summary of the related party loan accounts:

Related Party	FY19
Related Party Receivables	
Craig Rosendorff	3,862,997
Avion Holdings Pty Ltd	236,201
Exact Trust	1,012,104
Exact Trust No. 2	449,229
Lindendale Pty Ltd	342
Chris Codrington	10,899
Lindendale Pty Ltd	2,500,000
Total Related Party Receivables	8,071,772
Related Party Payables	
Avion Holdings Pty Ltd	(3,029,453)
Viner Unit Trust	263
Lindendale Pty Ltd	(3,159,780)
Spinel Pty Ltd	(11,731,424)
Spinel Pty Ltd (UPE)	(32,577)
Dana Rosendorff	3,557
Total Related Party Payables	(17,949,414)
Net Related Party Position	(9,877,642)

- We note that most balances, with the exception of the Director's receivable account, remained relatively static in the years examined. We provide an analysis of the Director's net drawings on the following page.

III. Historical Financial Information (cont.)

Drawings

- In addition to the movement in the Director's loan account, we note the Director also paid his home loan through the business. In total, the Director's net drawings since 1 July 2017 have totalled ~\$1.8m, as follows:

Director Drawings	FY17	FY18	YTD19	Total
Director's Loan Account	1,058,207	641,550	295,176	1,994,933
Director's Home Loan Payments	(439,149)	0	286,886	(152,263)
Total Net Director Drawings	619,058	641,550	582,062	1,842,670

- The Director has advised that his drawings account includes bad debts of customers who have not paid for purchases. We are investigating this further. However, this is not the proper accounting (or tax) treatment for bad debts.

IV. Investigations, Offences and Voidable Transactions

IV. Investigations, Offences and Voidable Transactions

Duty to Investigate

- The law requires us to investigate and specify whether there appear to be any voidable transactions in respect of which money, property or other benefits may be recoverable by a liquidator under Part 5.7B of the Act.
- We have sought to ascertain whether the Company was insolvent at any particular point in time prior to our appointment as Administrators, in order to determine a point in time from which these provisions may apply.

Relevance of Insolvency and Liquidation

- The ability to challenge voidable transactions and recover money/property for creditors is contingent on two elements:
 - The Company being placed into liquidation; and
 - A liquidator being able to establish that the Company was insolvent at the time it entered into any particular transaction, or that the Company became insolvent as a consequence of that transaction.

Work Performed

- We have made enquiries into the financial affairs of the Company. In this section, we set out our preliminary views and findings about:
 - offences that may have been committed;
 - the solvency position of the Company;
 - existence of voidable transactions – including unfair preferences/loans, uncommercial transactions, arrangements to avoid employee entitlements, and unreasonable director related transactions;
 - charges that may be voidable; and
 - whether there is the prospect of a claim for insolvent trading.
- Please note the investigations we have undertaken are only indicative of the actions that may be possible in the event of liquidation.

Date of Insolvency

- Our key workings and other analysis are contained overleaf. However, it appears the Company was insolvent from at least 25 April 2019, when the Facility Agreement expired. However, there are indicia to suggest that the Company might have been insolvent prior to that date.
- Appendix 2 provides some general comments and information about recoveries via voidable transactions, insolvent trading and common factors that indicate insolvency.

Creditors' Information Sheet and Other Explanations

- Provided at Appendix 3 is an information sheet to assist creditors in understanding potential offences under the Act, recoverable transactions and insolvent trading.
- Creditors should read this information in conjunction with our comments in this section of the report.

Relevance of Liquidation versus DOCA

- Voidable transactions and other actions that a liquidator can make are not available, if the Company executes a DOCA.
- As a result, creditors have to assess the advantages to them of a DOCA (and any benefits that may be available to them in this scenario), compared to the likely return in a liquidation (and any recoveries that may be available where a liquidator is appointed).
- To help creditors, where a DOCA is proposed, the estimated return to creditors section of this report will include a comparison between liquidation and any DOCA, highlighting the differences in estimated recoveries and outcomes. There may also be timing differences and these too are discussed, as applicable.

IV. Investigations, Offences and Voidable Transactions (cont.)

Summary of Findings

- We provide a summary of our key findings from our investigations into the Company's solvency as follows:
 - According to the Company's management accounts, it recorded net profits in FY17 (\$402k) and FY18 (\$56k). However, at the date of appointment, had incurred a significant net loss in the 10 months YTD19 of \$740k.
 - More than 50% of the creditor ledger is aged by more than 90 days, which suggests that the Company has had insufficient cash to pay its creditors, as and when they fell due.
 - The Company entered into the Facility Agreement with the Secured Creditor on 26 April 2018, following a refinance of the Company's prior facilities with ANZ. The Secured Creditor advised that ~\$2.2m remained outstanding, as at the date of appointment.
 - Despite inventory recorded at ~\$5.2m, the stocktake undertaken by the Receivers and Managers suggests a value of ~\$2.7m.
 - The Company has entered into numerous payment arrangements with the ATO to address historic statutory liabilities. The Company managed to reduce the Running Balance Account to nil in June 2017. However, the Company was again in arrears with the ATO in July 2017 and entered into a new payment plan in August 2017. At the date of appointment, based on the Company's running balance account, the company owed \$165k to the ATO.
- Based on the Administrators' investigations, our preliminary view is that there are indicators the Company was likely insolvent at least at the date the Facility Agreement expired and possibly earlier.

Solvency Review – Indicators of Insolvency

Indicia of Insolvency			
Indicator	FY17	FY18	FY19 YTD
Trading losses	x	?	✓
Insufficient cash flow	?	✓	✓
Difficulties in selling stock or collecting debts	?	✓	✓
Creditors paid outside terms / special arrangements	✓	✓	✓
Arrears of statutory liabilities	✓	✓	✓
Legal action threatened or commenced	?	✓	?
Inability to obtain new or alternative funding	x	x	✓
Inability to produce accurate financial information	✓	✓	✓
Resignation of directors or other senior management	x	x	x
The Company has defaulted, or is likely to default, on its agreements with its financier	?	?	✓
Inability to sell surplus assets	?	?	✓

Key	
Item	Symbol
Indicator present	✓
Further investigation required	?
Indicator not considered present	x

IV. Date of Insolvency

Solvency Review – Balance Sheet Test

- We have reviewed the Company's management accounts and have adjusted the accounts to reflect that the:
 - financial accounts include ~\$8.1m of related party receivables, which, based on our discussions with the Director, appear uncollectable.
 - loan provided by the Secured Creditor was recorded as a non-current liability. However, the Facility Agreement states that the loan is payable within 12 months. Accordingly, it is a current liability; and
 - value of stock, based on the Receivers and Managers' stocktake of 6 May 2019, was ~\$2.7m, not ~\$5.2m. We are unsure how long stock has been understated.
- In light of these adjustments, we note that at all times examined, the Company had a working capital shortfall as follows:

Working Capital Summary (FTI Adjustments)

A\$'000	FY17 \$	FY18 \$	YTD19 \$
Current Assets	6,876	6,108	3,919
Current Liabilities	9,411	10,717	11,418
Net Surplus / (Shortfall)	(2,535)	(4,610)	(7,499)

- This also reflected in the Company's current ratio (depicted opposite), which shows a current ratio of less than 1 in all periods examined.
- The current ratio is an assessment of a company's liquidity and its ability to pay its debts as and when they fall due. If the ratio is less than 1, the Company's current liabilities exceed its current assets. This indicates that the Company may have difficulty paying its debts as and when they fall due and payable.



- The Director is likely to have a defence that the related party liabilities were not due and payable. The related party loan accounts, save for the Director's, had remained relatively static in all periods reviewed. If the related party liabilities were excluded from our analysis, the Company's current ratio exceeded 1 in all periods examined, until the Secured Creditor's Facility Agreement expired on, or around 25 April 2019.

Net Asset Position

- The following table provides a summary of the Company's net asset position according to the management accounts, including the related party loans:

Net Asset Position (incl. related party loans)

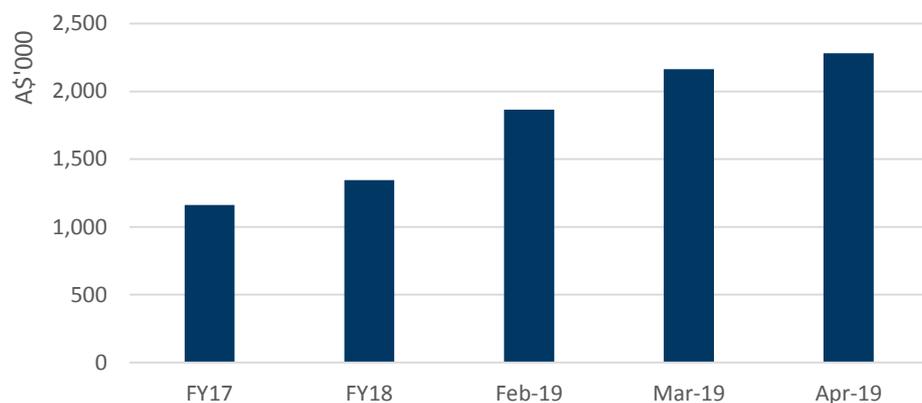
A\$'000	FY17	FY18	FY19 YTD
Total Assets	14,334	14,209	14,319
Total Liabilities	22,684	22,503	23,353
Net Asset Surplus / (Deficiency)	(8,350)	(8,294)	(9,034)

- The Company has maintained a net asset deficiency since FY17, primarily because of the historical related party loans and the carrying value of plant and equipment.

IV. Date of Insolvency (cont.)

Trade Creditor Analysis

- The following chart provides a summary of the Company's trade creditor position as at FY17 and FY18 and end of month February 2019, March 2019 and April 2019:



- The trade creditor balance increased by 96% between FY17 and the date of our appointment.
- As at April 2019, 53% of the total creditor ledger is aged by more than 90 days, which reflects the Company's difficulties to pay its short term debts, as and when they fell due and payable.
- The Company has fallen behind on payments to major suppliers, which has significantly contributed to the inflated trade payables balance at the date of appointment.

Solvency Review – Cash Flow Test

- The cash flow test involves assessing the Company's ability to meet its obligations as and when they fall due. There are many elements to consider and only a court can determine the date of insolvency. We have considered the following information to estimate the date of insolvency:
 - trade creditor ledgers and information (including ageing profile) – i.e. to assess whether the Company had been meeting its payments on time;
 - statutory liability position – i.e. whether the Company had been meeting its statutory liabilities;
 - liquidity ratios and levels or working capital to assess – i.e. whether the Company had sufficient liquidity to meet its liabilities in the short term;
 - EBITDA and profit and loss position – i.e. to assess the Company's ability to generate sufficient cash to meet its obligations;
 - sources of funding and support by financiers or related entities – i.e. to assess whether the Company had any alternative sources of funding; and
 - the existence of other indicia of insolvency.



IV. Date of Insolvency (cont.)

Preliminary Opinion on Insolvency

- There are indicators that the Company was suffering from financial distress from as early as 30 June 2017. However, the Company was able to continue to trade due to:
 - the facility provided by the Secured Creditor; and
 - the related parties loans, which remained uncalled.
- On, or around 25 April 2019, when the Facility Agreement expired, the Company was unable to pay its debts as and when they fell due and, in our opinion, was insolvent.

Preliminary View on Liability for Insolvent Trading

- If the Company was wound up and a liquidator appointed, further work would be performed on the date of insolvency to determine whether there is a benefit to creditors in pursuing the Director for insolvent trading.
- Directors can be found liable, subject to a number of defences, for debts incurred from the date of insolvency to the appointment of an external administrator (e.g. Voluntary Administrators).
- A property search indicates the Director owns a property in Floreat, in Western Australia. We have not yet requested a valuation and we are unaware as to whether there is any equity in the property, if a claim was commenced.
- Anecdotally, we understand the Director also owns a property in Greece. We are undertaking additional investigations, in this regard.
- We are continuing to investigate whether any other assets are owned by the Director support a claim, if commercial to pursue.
- Creditors should refer to Appendix 2 for additional information on Insolvency and pursuing insolvent trading claims generally.

Pursuing an Insolvent Trading Claim

- Insolvent trading claims are expensive to pursue, often involving litigation running over multiple years. Given the current funds held in the administration, a Liquidator would likely require additional funding in order to pursue such a claim.

IV. Voidable Transactions

- We set out our preliminary findings in relation to potential recoveries from voidable transactions in a liquidation scenario, including our view on the likelihood of there being substantiated and supportable claims. Where applicable, we have included our estimate of possible recoveries along with any other pertinent information. For general information explaining these matters, including a list of applicable offences, please refer to **Appendix 2**.

Area	Our view	Comments
Unfair preferences	Possible claim	<ul style="list-style-type: none"> ■ We have reviewed the payments made by the Company during the period leading up to appointment, taking into account the potential date of insolvency. Based on our investigations to date, it appears: <ul style="list-style-type: none"> ■ The Company entered into a payment arrangement plan with the ATO not long after statutory debts began to accrue from 21 June 2017. We have identified payments totalling \$251k that may be preferential, based on the running balance account and payments made to the ATO, within the relation back day period. ■ In addition, we have identified other potential transactions that may constitute unfair preferences, which will require further investigation. ■ We will continue to investigate these potential claims, if we are appointed Liquidators.
Uncommercial transactions	Unlikely claim	<ul style="list-style-type: none"> ■ We are not yet aware of any potential uncommercial transactions that would likely result in property being recovered for the benefit of creditors. However, if appointed Liquidators, we will continue to investigate any claims.
Unfair loans	Unlikely claim	<ul style="list-style-type: none"> ■ We are not aware of any potential unfair loans that would likely result in property being recovered for the benefit of creditors.
Unreasonable payments to directors	Possible claim	<ul style="list-style-type: none"> ■ As previously stated, the management accounts indicate that the Director's net drawings increased by: <ul style="list-style-type: none"> ■ ~\$582k in YTD19 (~\$58k per month); and ■ ~\$1.8m between FY17 to YTD19 (~\$53k per month). ■ We will continue to investigate this as a potential claim, if we are appointed Liquidators.
Related entity benefit	Possible claim	<ul style="list-style-type: none"> ■ Other than already discussed and due to their historic nature, we are not aware of any related party transactions that would be recoverable for the benefit of creditors. ■ We will continue to investigate this potential claim, if we are appointed Liquidators.
Arrangements to avoid employee entitlements	Unlikely claim	<ul style="list-style-type: none"> ■ Our investigations to date have not revealed the existence of any such arrangements.
Voidable charges	Unlikely claim	<ul style="list-style-type: none"> ■ Our investigations have not revealed any voidable charges.
Offences by directors	Possible claim	<ul style="list-style-type: none"> ■ Based on our initial investigations, there appears to be some indicia that there may have been certain breaches of sections 180 and 182 of the Act. We stress that further investigations are required, to confirm this position.



IV. Disclosures: Effect on Employees

Effect on Employees

Position as Priority Creditors

- In accordance with sections 433, 561 and 556 of the Act, a receiver and manager appointed over circulating assets must ensure that employees' outstanding entitlements are paid in priority to the Secured Creditor from the proceeds of those circulating assets. The order of priority for typical employee claims is as follows:
 - Amounts due in respect of wages, superannuation and superannuation guarantee charge; and then
 - Amounts due in respect of leave of absence and other amounts due under the terms of an industrial instrument; and then
 - Retrenchment payments.
- As the Receivers and Managers' appointment is over, among other things, the Company's stock (i.e. diamonds and jewellery), they will be required to pay outstanding entitlements from those proceeds, before the Secured Creditor.
- Based on our discussions with the Receivers and Managers, we understand that there are sufficient assets to repay employee entitlements in full.

V. Proposal for a Deed of Company Arrangement

V. Proposal for a Deed of Company Arrangement

What is a DOCA?

- A DOCA is a formal agreement between a company, its creditors and the proponents of the DOCA.
- The proponents are interested parties who want creditors to consider their proposal. The proposal usually involves compromising creditors' claims, as opposed to liquidation, or returning the company to its directors.
- A DOCA may involve:
 - maximising the chance of the company continuing in existence; and/or
 - result in a better return for the company's creditors than in a winding up.

Proposal for a DOCA

- The Director's lawyer has advised that the Director is intending to put forward a 90 day "Holding DOCA", for creditors' consideration.
- A "Holding DOCA" is normally used to allow more time to develop a proposal to avoid liquidation. In the absence of a "Holding DOCA":
 - an application can be made to Court to extend the convening period and; therefore, the timing of the Second Meeting of Creditors.
 - the Chairman of the meeting (unilaterally), or creditors (by a resolution – passed in favour by both number and value) can adjourn the Second Meeting of Creditors for up to 45 business days, while a proposal is developed.
- The Director's lawyer has advised that the Director:
 - believes a "Holding DOCA" is prudent, as:
 - the outcome of the Receivership has not yet been determined; and
 - if there is a surplus from the Receivership, there may be an opportunity to restructure the business and/or provide a better return to creditors than the Company's immediate liquidation.

Proposal for a DOCA (cont.)

- intends using the following related entities to vote in favour of the "Holding DOCA":
 - Spinel Pty Ltd - \$11,731,424;
 - Lindendale Pty Ltd - \$3,159,780; and
 - Avion Holdings Pty Ltd - \$3,029,453.

Our Comments

- At the date of this report, no DOCA has been put forward for our consideration, or for creditors to vote upon.
- If a DOCA was to be put forward before the Second Meeting of Creditors, the Administrators:
 - (or creditors) could adjourn the meeting for up to 45 business days to allow time for that proposal to be reviewed.
 - would need to prepare a supplementary report for creditors on the "Holding DOCA" and provide our recommendation; at an additional expense to the Administration.
 - would have to convene another creditors' meeting, for the proposal to be voted upon by creditors: at an additional expense to the Administration.
- As previously stated:
 - voidable transactions and other actions that a liquidator can make are not available, if the Company executes a DOCA: this includes a "Holding DOCA".
 - the Second Meeting of Creditors can be adjourned for up to 45 business days to await the outcome of the Receivership and whether there is a realistic restructuring alternative.
- If we are to recommend a "Holding DOCA", the proposal will need to provide compensation for any claims lost in the "Holding DOCA" and for the additional costs of the DOCA itself. Otherwise, entering into a "Holding DOCA" will likely diminish the current position.

VI. Estimated Return to Creditors

VI. Estimated Return to Creditors

Return to Creditors

- The return to creditors will be determined by the outcome of the Receivership. At this stage, based on our discussions with the Receivers and Managers, we understand that:
 - Secured Creditor: It is still uncertain as to whether the Secured Creditor will be repaid in full, or suffer a shortfall;
 - Priority creditors (i.e. employees): Are likely to be paid in full from the Company's circulating assets; and
 - Unsecured Creditors: A return will depend on the outcome of the Receivership, any proposed DOCA, or the outcome in Liquidation. All of these outcomes are still unknown.

Receipts and Payments

- There have been no cash receipts, or payments made during the course of the Administration as follows:

Receipts and Payments: 29 April 2019 to 21 May 2019

	(\$) (Incl GST)
Receipts	
Cash at Bank	Nil
Total Receipts	Nil
Payments	
Total Payments	Nil
Net Receipts and Payments	Nil

VII. Administrators' Opinion and Recommendation

VII. Opinion and Recommendation to Creditors

What Creditors can decide at the Meeting

- At the second meeting of creditors, creditors are required to decide whether the:
 - Company should execute a DOCA; or
 - administration of the Company should end; or
 - Company should be wound up.
- In accordance with the requirements of Section 75-225 of the *Insolvency Practice Rules (Corporations) 2016*, the Administrators must provide an opinion on each of the above options, and whether the option is in the creditors' interests.

Administrators' Opinions on the Options Available to Creditors

1. Execution of a deed of company arrangement

- As no DOCA has been proposed, creditors cannot resolve to accept a DOCA at this time. Therefore, ***we do not consider it would be in the creditors' interests for the Company to execute a DOCA.***
- It remains an option for creditors to consider whether they may wish to adjourn the forthcoming meeting of creditors to allow time for a DOCA proposal to be submitted.

2. The Administration comes to an end

- If the creditors vote for this alternative, control of the Company will revert to the directors, immediately following the meeting of creditors.
- The Company is insolvent with no cash to pay the Company's debts and no confirmed prospects of obtaining external funding. Therefore ***we do not consider that it would be in the creditors' interests for the administration to end.***

3. The Company is wound up

- Absent the other options being viable alternatives, ***we consider that it would be in the creditors' interests for the Company to be wound up.*** The Company is insolvent. At this time, we have not been provided with a proposal for a DOCA for consideration. Accordingly, it is not appropriate that the administration ends for the reasons already noted.

Dated 24 May 2019



Daniel Woodhouse
Joint and Several Administrator

VIII. Appendix 1 – Glossary and Terms of Reference

Appendix 1 - Glossary and Terms of Reference

Item	Definition	Item	Definition
ACN	Australian Company Number	First Meeting	First Meeting of Creditors for Rosendorff Diamond Jewellers Pty Ltd held on 9 May 2019
Accountant	Mr Rob Monzu, of Prospera Partners	FY	Financial Year
Act	Corporations Act 2001	GST	Goods and Services Tax
Administrators	Daniel Hillston Woodhouse and Joseph Ronald Hansell	K	Thousand
AllPAAP	All present and after-acquired property	Landlord	Uniting Church in Australia Property Trust (WA) ABN 66 428 151 531
ANZ	Australia and New Zealand Banking Group Ltd	M	Million
ARITA	Australia Restructuring Insolvency & Turnaround Association	PA	Per annum
ASIC	Australian Securities & Investments Commission	PMSI	Purchase Money Security Interest
ATO	Australian Taxation Office	POD	Proof of Debt
Company	Rosendorff Diamond Jewellers Pty Ltd as trustee for the Rosendorff Diamond Jewellers Trust	PPSR	Personal Property Securities Register
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities	Proxy	Appointment of Proxy Form
DOCA	Deed of Company Arrangement	Receivers and Managers	Richard Tucker, Scott Langdon and Rahul Goyal of KordaMentha
EBIT / EBITDA	Earnings before interest and tax / Earnings before interest, tax, depreciation and amortisation	ROCAP	Report on Company Activities and Property
ERV	Estimated Realisable Value	Second Meeting	Second Meeting of Creditors for the Company, which will be held on Tuesday, 4 June 2019 at the Seminar Room, Central Park Business Centre, 152-158 St Georges Terrace, Perth WA 6000 at 11.00AM WST.
Facility Agreement	Facility Agreement between the Secured Creditor and the Company, commencing on 26 April 2018.	Secured Creditor	Gordon Brothers Pty Ltd
First Circular to Creditors	First Circular to Creditors and Suppliers issued on 1 May 2019	YTD	Year to Date



Appendix 1 - Glossary and Terms of Reference (cont.)

Terms of Reference

- This report has been prepared for the creditors of Company to assist them in evaluating their position as creditors and in deciding on the Company's future. None of the Administrators, FTI Consulting and its staff shall assume any responsibility to any third party to which this report is disclosed or otherwise made available.
- This report is based on information obtained from the Company's records, the directors and management of the Company and from our own enquiries. While we have no reason to doubt the veracity of information contained in this report, unless otherwise stated we have proceeded on the basis that the information provided and representations made to us are materially accurate, complete and reliable. We have not carried out anything in the nature of an audit, review or compilation.
- This report may contain prospective financial information, including estimated outcomes for creditors, and other forward looking information. As events and circumstances frequently do not occur as expected, there may be material differences between estimated and actual results. We take no responsibility for the achievement of any projected outcomes or events.
- We reserve the right to alter any conclusions reached on the basis of any changed or additional information which may become available to us between the date of this report and the forthcoming meeting of creditors.
- Creditors should seek their own advice if they are unsure how any matter in this report affects them.

IX. Appendix 2 – Investigations – Analysis and Information



General Information and Considerations

Date of Insolvency

- In order to ascertain if there were any insolvent transactions entered into by a company, it is first necessary to determine the date a company became insolvent.
- Proving the date on which a company became insolvent is an essential element of recovery actions with respect to unfair preferences, uncommercial transactions and insolvent trading.
- Recovery actions require the liquidator to prove that the particular company was insolvent at the time of the transaction, or in the case of an insolvent trading action, when the debt was incurred.

What is Insolvency?

- Solvency is defined in s 95A of the Act as when a company is able to pay all its debts as and when they become due and payable. A company that is not solvent is insolvent.
- Whether a company is able to meet its debts as they become due is essentially a “cash flow” test rather than a “balance sheet” test (although the company’s balance sheet position is still relevant).
- Consideration of the entire financial position of a company is required to establish if it is insolvent at a particular date. This includes factors such as the value of the company’s assets relative to its liabilities and the nature of these assets and liabilities. Also, the extent to which cash is expected to be generated from future trading activities, or available from alternative sources is relevant to considering a company’s solvency position.

General and Commercial Considerations

- Proving insolvency is often a complex exercise and usually involves considerable time and expense in thoroughly investigating all aspects of claims. Legal advice on the merits of claims is generally required.
- Typically, insolvent trading claims are defended and directors may seek to rely on the statutory defences available to them.
- Legal proceedings are often necessary for liquidators to pursue claims. This adds to the time and costs involved in pursuing claims. There is also inherent uncertainty involved with any litigation. As a result, commercial considerations are relevant, including whether the amount of the claim is large enough to pursue on a cost and risk/benefit basis.
- The capacity of a party to pay any successful claim to a liquidator is also a relevant consideration in determining whether or not pursuing an action is likely to be in the interest of creditors.
- Liquidators may not have funds to pursue actions. At other times, the liquidator may view the risks/benefits of pursuing an action not to be in the interest of creditors (for example, in cases where pursuing an action would use up the available cash/assets when otherwise a small dividend to creditors could be paid). In these circumstances, it is possible that a creditor or a litigation funder may wish to fund an action to pursue a claim. This typically occurs only when there is a very strong case and high prospect of success.

Indicators of potential insolvency

Factors to Take into Account

- The company has a history of continuing trading losses.
- The company is experiencing cash flow difficulties.
- The company is experiencing difficulties selling its stock, or collecting debts owed to it.
- Creditors are not being paid on agreed trading terms and/or are either placing the company on cash-on-delivery terms or requiring special payments on existing debts before they will supply further goods and services.
- The company is not paying its Commonwealth and state taxes when due (e.g. pay-as-you-go instalments are outstanding, goods and services tax (GST) is payable, or superannuation guarantee contributions are payable).
- Cheques are being returned dishonoured.
- Legal action is being threatened or has commenced against the company, or judgements are entered against the company, in relation to outstanding debts.
- The company has reached the limits of its funding facilities and is unable to obtain appropriate further finance to fund operations—for example, through:
 - negotiating a new limit with its current financier; or
 - refinancing or raising money from another party.
- The company is unable to produce accurate financial information on a timely basis that shows the company's trading performance and financial position or that can be used to prepare reliable financial forecasts.
- Company directors have resigned, citing concerns about the financial position of the company or its ability to produce accurate financial information on the company's affairs.
- The company auditor has qualified their audit opinion on the grounds there is uncertainty that the company can continue as a going concern.
- The company has defaulted, or is likely to default, on its agreements with its financier.
- Employees, or the company's bookkeeper, accountant or financial controller, have raised concerns about the company's ability to meet, and continue to meet, its financial obligations.
- It is not certain that there are assets that can be sold in a relatively short period of time to provide funds to help meet debts owed, without affecting the company's ongoing ability to continue to trade profitably.
- The company is holding back cheques for payment or issuing post-dated cheques.

Source: ASIC Regulatory Guide 217 - Duty to prevent insolvent trading: Guide for directors

ASIC's view is that these are some of the factors that a reasonable person would take into account when determining whether a company is insolvent. The list of factors is not intended to be exhaustive. There may be other factors that would indicate to a reasonable person that a company may be insolvent.

X. Appendix 3 – Creditor Information Sheet

Creditor Information Sheet

Offences, Recoverable Transactions and Insolvent Trading



Offences

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

180	Failure by company officers to exercise a reasonable degree of care and diligence in the exercise of their powers and the discharge of their duties.
181	Failure to act in good faith.
182	Making improper use of their position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of the officer's position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for a proper purpose. Use of position or information dishonestly to gain advantage or cause detriment. This can be a criminal offence.
198G	Performing or exercising a function or power as an officer while a company is under administration.
206A	Contravening a court order against taking part in the management of a corporation.
206A, B	Taking part in the management of corporation while being an insolvent, for example, while bankrupt.
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 an auditor.
314-7	Failure to comply with requirements for the preparation of financial statements.
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 the 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.

Recoverable Transactions

Preferences

A preference is a transaction, such as a payment by the company to a creditor, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant period for the payment commences six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Where a creditor receives a preference, 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 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 period is four years and if the intention of the transaction is to defeat creditors, the period is ten years.

The company must have been insolvent at the time of the transaction, or become insolvent because 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 must be entered into before 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 payments made to or on behalf of a director or close associate of a director. 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 over company property are voidable by a liquidator:

- circulating security interest created within six months of the liquidation, unless it secures a subsequent advance;
- unregistered security interests;
- security interests in favour of related parties who attempt to enforce the security within six 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 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.

XI. Appendix 4 – DIRRI

**ROSENDORFF DIAMOND JEWELLERS PTY LTD ACN 009 173 139
(RECEIVERS AND MANAGERS APPOINTED) (ADMINISTRATORS APPOINTED)
ATF ROSENDORFF DIAMOND JEWELLERS TRUST ("THE COMPANY")**

DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS, AND INDEMNITIES

This document requires the Practitioner(s) appointed to an insolvent entity to make declarations as to:

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

This declaration is made in respect of us, Joseph Ronald Hansell and Daniel Hillston Woodhouse, our fellow Senior Managing Directors/Managing Directors, FTI Consulting (Australia) Pty Ltd ("**FTI Consulting**" or "**Firm**") and associated entities.

A. INDEPENDENCE

We, Joseph Ronald Hansell and Daniel Hillston Woodhouse of FTI Consulting have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Joint and Several Administrators of the Company in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

B. DECLARATION OF RELATIONSHIPS

i. Circumstances of appointment

This appointment was referred to FTI Consulting by Gordon Brothers Pty Ltd ("**Gordon Brothers**"). We believe that this referral does not result in us having a conflict of interest or duty because of the following reasons:

- a) Gordon Brothers has referred non-insolvency/restructuring engagements to FTI Consulting from time to time. Neither us nor FTI Consulting have any formal or informal referral arrangements with Gordon Brothers, and to our knowledge they do not exclusively refer such work to us or FTI Consulting
- b) FTI Consulting is not reliant upon referrals from Gordon Brothers, who is one of a considerable number of firms, organisations and people who refer work to, or seek advice from, FTI Consulting. This engagement is not financially significant to FTI Consulting and the receiving or otherwise of other referrals from Gordon Brothers is not material to FTI Consulting;

- c) Work referrals arising from networks of business professionals, advisors and other persons are normal and accepted arrangements, and do not inherently impact on us discharging our statutory duties and obligations with independence and impartiality; and
- d) There are no conditions on the conduct or outcome of this administration arising from the referral, including no fees/commissions, agreements for work in the administration, or other benefits;
- e) While FTI Consulting has in the past engaged Gordon Brothers to provide auctioneer services, this has been for separate, non-related insolvency/restructuring engagements. Gordon Brothers is one of many external firms/organisations who provide such advice and assistance to FTI Consulting from time to time, which is on a non-exclusive basis and based upon professional service and expertise.

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

Neither we, nor FTI Consulting, have, or have had within the preceding 24 months, any relationships with the Company, an associate of the Company or a former insolvency practitioner appointed to the Company.

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

Name	Nature of relationship	Reasons
Gordon Brothers	<p>Gordon Brothers, has a number of registered security interests, including a General Security Agreement, over has security over the whole, or substantially the whole of the Company's property</p> <p>FTI Consulting has undertaken work from time to time on behalf of the Gordon Brothers in an informal capacity.</p> <p>Gordon Brothers, from time to time, assist FTI Consulting in asset sale processes undertaken by FTI Consulting in the discharge of other formal insolvency appointments.</p>	<p>We believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> ▪ it is common for relationships to exist between insolvency practitioners and secured creditors, such as Gordon Brothers. ▪ the work that FTI Consulting undertakes with Gordon Brothers will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the Voluntary Administration of the Company in an objective and impartial manner. ▪ Gordon Brothers is one of many external firms/organisations who provide such auctioneer services and assistance to FTI Consulting from time to time, which is on a non-exclusive

Name	Nature of relationship	Reasons
		basis and based upon professional service and expertise.

iii. Prior Professional Services to the Insolvent

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

iv. No other relevant relationships to disclose

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

C. INDEMNITIES AND UP-FRONT PAYMENTS

We have been provided with an indemnity of \$40,000 from Gordon Brothers for remuneration for the conduct of this administration.

This does not include our statutory indemnities under the Corporations Act 2001. We have not received any other indemnities or upfront payments that should be disclosed.



.....
Daniel Hillston Woodhouse



.....
Joseph Ronald Hansell

Date: 1 May 2019

NOTE:

1. If circumstances change, or new information is identified, I am/we are required under the Corporations Act 2001 and the ARITA Code of Professional Practice to update this Declaration and provide a copy to creditors with my/our next communication as well as table a copy of any replacement declaration at the next meeting of creditors.
2. Any relationships, indemnities or up-front payments disclosed in the DIRRI must not be such that the Practitioner is no longer independent. The purpose of components B and C of the DIRRI is to disclose relationships that, while they do not result in the Practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.

XII. Appendix 5 – Remuneration Approval Report

24 MAY 2019

REMUNERATION APPROVAL REPORT

ROSENDORFF DIAMOND JEWELLERS PTY LTD
(RECEIVERS AND MANAGERS APPOINTED) (ADMINISTRATORS APPOINTED)
ACN 009 173 139
ATF ROSENDORFF DIAMOND JEWELLERS TRUST ("THE COMPANY")

Introduction

Information included in report

This remuneration approval report provides you with the information that the Corporations Act 2001 (“Act”) and the Code of Professional Practice published by the Australian Restructuring Insolvency and Turnaround Association (“ARITA”) requires creditors to receive to make an informed decision regarding the approval of our remuneration for undertaking the Administration of Rosendorff Diamond Jewellers Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed) ATF Rosendorff Diamond Jewellers Trust ACN 009 173 139.

This report has the following information included:

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Part 1: Declaration

Joseph Hansell and I, Daniel Woodhouse of FTI Consulting, have undertaken a proper assessment of the claims for remuneration for the appointment as Voluntary Administrators of Rosendorff Diamond Jewellers Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed) ACN 009 173 139 in accordance with the law and applicable professional standards. I am satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of this appointment and further, that the disbursements that have been incurred in the conduct of the external administration are necessary and proper.

Part 2: Executive Summary

Remuneration

I currently estimate the total remuneration for this appointment for the period 29 April 2019 to the completion of the Voluntary Administration to be between \$60,000 and \$120,000 plus GST. This is consistent with my previous estimated total remuneration.

Remuneration currently claimed is summarised below in Table 1.

Table 1: Current claim for remuneration

Period	Report Reference	Amount (excl GST) \$
Voluntary Administration		
Resolution 1: Remuneration from 29 April 2019 to 21 May 2019 (inclusive)	Schedule 1	52,744.50
Resolution 2: Remuneration from 22 May 2019 to completion of the Voluntary Administration (inclusive)*	Schedule 2	22,000.00
Total		74,744.50
Deed of company arrangement (DOCA) (if applicable)		
Resolution 3: Remuneration from commencement to completion of DOCA*	Schedule 3	30,000.00
Total		30,000.00
Liquidation (if applicable)		
Resolution 4: Remuneration from commencement to completion of Liquidation (inclusive)*	Schedule 4	60,000.00
Total		60,000.00

* Approval for the future remuneration sought is based on an estimate of the work necessary to complete the administration. Should additional work beyond what is contemplated be necessary, further approval may be sought from creditors. If a lesser amount is incurred, we will limit our remuneration to that lesser amount.

Part 3: Remuneration

Remuneration claim resolutions

I will be seeking approval of the following resolutions to approve our remuneration. Details to support these resolutions are shown immediately below the resolutions and in the schedules to this report.

Resolution 1: Remuneration from 29 April 2019 to 21 May 2019 (inclusive)

The remuneration of the Administrators of Rosendorff Diamond Jewellers Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed) ACN 009 173 139 for the period 29 April 2019 to 21 May 2019 (inclusive) be calculated on a time basis at the hourly rates set out in the Schedules of FTI Consulting Standard Rates effective 1 March 2017 and the Schedules of FTI Consulting Standard Rates effective 1 May 2019 (Corporate Finance & Restructuring and Strategic Communications), and are determined and approved for payment in the amount of \$52,744.50 plus GST and the Administrators can draw the remuneration.

Resolution 2: Remuneration from 22 May 2019 to completion of the Voluntary Administration (inclusive)

The remuneration of the Administrators of Rosendorff Diamond Jewellers Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed) ACN 009 173 139 for the period 22 May 2019 to completion of the Voluntary Administration (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Voluntary Administrators and staff of FTI Consulting, calculated at the hourly rates set out in the schedule of FTI Consulting Standard Rates effective 1 May 2019, up to an initial capped amount of \$22,000 plus GST, and the Administrators can draw the remuneration as required.

Resolution 3: Remuneration from commencement to completion of DOCA

The future remuneration of the Deed Administrators of Rosendorff Diamond Jewellers Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed) ACN 009 173 139 for the period from commencement to completion of DOCA (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Deed Administrators and staff of FTI Consulting, calculated at the hourly rates set out in the schedule of FTI Consulting Standard Rates effective 1 May 2019, up to an initial capped amount of \$30,000 plus GST, and the Deed Administrators can draw the remuneration as required.

Resolution 4: Remuneration from commencement to completion of Liquidation (inclusive)

The future remuneration of the Liquidators of Rosendorff Diamond Jewellers Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed) ACN 009 173 139 for the period from commencement to completion of the liquidation (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Liquidators and staff of FTI Consulting, calculated at the hourly rates set out in the schedule of FTI Consulting Standard Rates effective 1 May 2019, up to an initial capped amount of \$60,000 plus GST and the Liquidators can draw the remuneration as required.

Remuneration is calculated in accordance with the hourly rates applicable to the grades or classifications set out in the FTI Consulting Schedule of Standard Rates which appear at Schedule 5 to 6 to this report.

At this stage, based on the information presently available to me, I consider that it may not be necessary to convene a further meeting of creditors to seek further approval from creditors. However, the position may change depending on the progress of the external administration and the issues that may arise.

Details to support resolutions

The basis of calculating the remuneration claims are summarised below and the details of the major tasks performed and the costs associated with each of those major tasks are contained in Schedule 1 to Schedule 4.

Resolution 1: Remuneration from 29 April 2019 to 21 May 2019 (inclusive)

Table 2 below table sets out time charged to each major task area by staff members working on the Voluntary Administration for the period 29 April 2019 to 21 May 2019 (inclusive) which is the basis of the Resolution 1 claim. More detailed descriptions of the tasks performed within each task area, matching the amounts below, are contained in Schedule 1.

Table 2: Time charged to each major task area

Employee	Position	Rate/hour excl GST \$	Total actual hours	Total (excl GST) \$	Task Area			
					Creditors \$	Employees \$	Investigation \$	Administration \$
Joseph Hansell	Senior Managing Director	695.00	1.20	834.00	0.00	0.00	0.00	834.00
Joseph Hansell	Senior Managing Director	625.00	1.60	1,000.00	0.00	0.00	0.00	1,000.00
Daniel Woodhouse	Managing Director	625.00	11.90	7,437.50	4,125.00	0.00	375.00	2,937.50
Daniel Woodhouse	Managing Director	580.00	4.90	2,842.00	0.00	0.00	0.00	2,842.00
Jacqueline Sinclair	Senior Director	575.00	3.90	2,242.50	747.50	0.00	0.00	1,495.00
Jacqueline Sinclair	Senior Director	570.00	1.70	969.00	285.00	0.00	0.00	684.00
Jonah Un	Director	515.00	2.80	1,442.00	0.00	0.00	927.00	515.00
Robert Beaumont	Senior Consultant I	400.00	45.10	18,040.00	14,400.00	0.00	1,000.00	2,640.00
Damon Brankstone	Consultant I	315.00	1.00	315.00	0.00	0.00	0.00	315.00
Minyoung Park	Associate II	320.00	43.70	13,984.00	9,440.00	160.00	2,144.00	2,240.00
Minyoung Park	Associate II	280.00	9.90	2,772.00	1,680.00	0.00	0.00	1,092.00
Claire Rees	Administration II	205.00	1.80	369.00	369.00	0.00	0.00	0.00
Mary Smith	Administration I	165.00	1.50	247.50	0.00	0.00	0.00	247.50
Total			131.00	52,494.50	31,046.50	160.00	4,446.00	16,842.00
GST				5,249.45				
Total (including GST)				57,743.95				
Average hourly rate (excluding GST)				400.72	380.01	320.00	383.28	452.74

The below table sets out time charged, and the work performed by other non-insolvency professional services provided by the firm for the period 29 April 2019 to 21 May 2019 (inclusive). These figures in Table 4 below, along with the figures in Table, are included in resolution 1.

Table 3: Time Charged for services provided by FTI Strategic Communications

Employee	Position	Rate/Hour excl GST \$	Total Actual Hours	Total Excl GST \$
Shane Murphy	Senior Director	500.00	0.5	250.00

Table 4: Major Tasks Undertaken by FTI Strategic Communications

Task
Provide advice to the Administrator’s in relation to media enquiries received.

Resolution 2: Remuneration from 22 May 2019 to completion of the Voluntary Administration (inclusive)

The below tables set out the expected costs for the major tasks likely to be performed by the Voluntary Administrators, their staff and FTI Strategic Communications for the period 22 May 2019 to completion of the Voluntary Administration (inclusive) which is the basis of the Resolution 2 claim. More detailed descriptions of the tasks likely to be performed within each task area, matching the amounts below, are contained in Schedule 2.

Table 5: Expected costs for the major tasks from 22 May 2019 to completion of the Voluntary Administration (inclusive)

\$	Total	Task Area			
		Creditors	Employees	Investigation	Administration
Total (est)	\$20,000.00	\$10,000.00	\$1,000.00	\$4,000.00	\$5,000.00
GST	\$2,000.00	\$1,000.00	\$100.00	\$400.00	\$500.00
Total (Incl GST)	\$22,000.00	\$11,000.00	\$1,100.00	\$4,400.00	\$5,500.00

Table 6: Expected costs for services to be provided by FTI Strategic Communications

Employee	Position	Rate/Hour excl GST \$	Total Hours	Total Excl GST \$
Shane Murphy	Senior Director	500.00	4	2,000.00

Table 7: Expected costs for the major tasks to be provided by FTI Strategic Communications

Task
Provide advice to the Administrator’s in relation to media enquiries if required.

Resolution 3: Remuneration from commencement to completion of DOCA (inclusive)

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 commencement to completion of DOCA (inclusive) which is the basis of the Resolution 3 claim. More detailed descriptions of the tasks likely to be performed within each task area, matching the amounts below, are contained in Schedule 3.

Table 8: Expected costs for the major tasks from the commencement to completion of DOCA (inclusive)

\$	Total	Task Area				
		Assets	Creditors	Employees	Dividend	Administration
Total (est)	\$30,000.00	\$2,000.00	\$8,000.00	\$2,000.00	\$8,000.00	\$10,000.00
GST	\$3,000.00	\$200.00	\$800.00	\$200.00	\$800.00	\$1,000.00
Total (Incl GST)	\$33,000.00	\$2,200.00	\$8,800.00	\$2,200.00	\$8,800.00	\$11,000.00

Resolution 4: Remuneration from commencement to completion of Liquidation (inclusive) [if applicable]

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 the commencement to completion of the liquidation (inclusive) which is the basis of the Resolution 4 claim. More detailed descriptions of the tasks likely to be performed within each task area, matching the amounts below, are contained in Schedule 4.

Table 9: Expected costs for the major tasks from commencement to completion of the liquidation (inclusive)

\$	Total	Task Area					
		Assets	Creditors	Employees	Investigation	Dividend	Administration
Total (est)	\$60,000.00	\$12,000.00	\$4,000.00	\$6,000.00	\$20,000.00	\$8,000.00	\$10,000.00
GST	\$6,000.00	\$1,200.00	\$400.00	\$600.00	\$2,000.00	\$800.00	\$1,000.00
Total (Incl GST)	\$66,000.00	\$13,200.00	\$4,400.00	\$6,600.00	\$22,000.00	\$8,800.00	\$11,000.00

Total remuneration reconciliation

At this point in time, I estimate that the total remuneration for this Voluntary Administration will be \$74,744.50 plus GST.

This is consistent with the estimate provided in the Initial Remuneration Notice dated 1 May 2019, which estimated remuneration between \$60,000 and \$120,000 plus GST.

Likely impact on dividends

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

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

I am unable to provide a dividend estimate of any certainty at this stage of the administration. If I do declare a dividend, any creditor whose claim has not yet been admitted will be contacted and asked to submit a proof of debt.

Part 4: Disbursements**Explanatory note on disbursements**

Disbursements are divided into three types:

- **Externally provided professional services** - these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.

- **Externally provided non-professional costs** - these are recovered at cost. Examples of externally provided non-professional costs are travel, accommodation and search fees.
- **Internal disbursements** such as photocopying, printing and postage. These disbursements, if charged to the administration, would generally be charged at cost; though some expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis. Details of the basis of recovery of each of these costs is discussed below.

Creditor approval is not required for payment of internal disbursements which have been charged at cost. Internal disbursements not charged at cost, however, must be approved by creditors before we can draw the cost of those disbursements from this external administration. As we have chosen not to charge the external administration for internally-generated FTI disbursements where they have not been charged at cost (such as internal photocopying and printing charges for the use of FTI's photocopiers, printers etc), this approval is not required.

Creditor approval is not required in relation to externally provided professional and non-professional costs or disbursements charged at cost. Where payments to third parties have been made from the bank account of the external administration, those payments are disclosed in the summary of receipts and payments. Creditors have the right to question the incurring of the disbursements and can challenge disbursements in Court.

A summary of FTI Consulting's Disbursement Rates is provided in Table 10 below.

Table 10: Schedule of FTI Consulting Disbursement Rates

Disbursement type	Charge Type	Charge Rate (excl GST)
Advertising	External, non-professional	At cost
ASIC Industry Funding Levy – registered liquidator metric events*	External, non-professional	At cost (at prescribed ASIC rates)
Couriers and deliveries	External, non-professional	At cost
Data Room Charges	External, professional	At cost
Facsimile	Internal (FTI)	Not charged
Legal Fees	External, professional	At cost
Postage	External, non-professional	At cost
Photocopying – internal	Internal (FTI)	Not charged
Photocopying – outsourced	External, non-professional	At cost
Printing – internal	Internal (FTI)	Not charged
Printing – outsourced	External, non-professional	At cost
Records costs – storage, destruction, boxes	External, non-professional	At cost
Search fees	External, non-professional	At cost
Staff motor vehicle use - mileage	Cents per km	At prescribed ATO rates
Staff travel – accommodation, meals etc	External, non-professional	At cost
Stationery and other incidental disbursements	External, non-professional	At cost
Telephone	Internal (FTI)	Not charged
Valuation Fees	External, professional	At cost
Other externally provided professional services		At cost
Other externally provided non-professional services		At cost

Part 5: Summary of Receipts and Payments

A summary of receipts and payments to and from the bank account for the Voluntary Administration for 29 April 2019 to 21 May 2019 appears as follows:

Receipts and Payments – for the period 29 April 2019 to 21 May 2019	
	(\$) (Incl GST)
Receipts	
Cash at Bank	Nil
Total Receipts	Nil
Payments	
Total Payments	Nil
Net Receipts and Payments	Nil

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

Part 6: Queries

If you have any queries or require any further information concerning our claim for remuneration, please contact Robert Beaumont on (08) 6430 1331 or via email on robert.beaumont@fticonsulting.com.

You can also access information which may assist you on the following websites:

- ARITA at www.arita.com.au/creditors
- ASIC at www.asic.gov.au (search for “insolvency information sheets”).



Daniel Woodhouse
Joint and Several Administrator



Robert Beaumont
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robert.beaumont@fticonsulting.com

Liability limited by a scheme approved under Professional Standards Legislation Scheme. May not apply to all services.

EXPERTS WITH IMPACT™

About FTI Consulting

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

Schedule 1: Table of major tasks for resolution 1 remuneration approval

Table 11 provides a description of the work undertaken in each major task area for the period 29 April 2019 to 21 May 2019 (inclusive).

Table 11: Work undertaken for the period 29 April 2019 to 21 May 2019 (inclusive)

Task Area	General Description	Includes
Creditors 81.7 hours \$31,046.50	Creditor enquiries	<ul style="list-style-type: none"> ▪ Responding to creditor enquiries by telephone, email, and post ▪ Receiving creditor enquiries
	Creditor meetings	<ul style="list-style-type: none"> ▪ Preparing meeting notices, proxies and advertisements ▪ Distributing meeting notices & proxies ▪ Preparing of agenda, minutes of meeting, attendance registers, proxy forms and other documents for meeting ▪ Attending and conducting first meeting of creditors ▪ Preparing and lodging of meeting minutes with ASIC ▪ Preparing meeting notices and report including internal meetings/discussions regarding Second Meeting of Creditors
	Creditor Reports	<ul style="list-style-type: none"> ▪ Preparing initial information circular to creditors and relevant annexures ▪ Preparing section 75-225 Report to Creditors including analysis of the Company's history, operations, creditor claims and estimated return to creditors
	Processing proofs of debt (PODs) not relating to a dividend	<ul style="list-style-type: none"> ▪ Issuing, receiving and filing PODs ▪ Corresponding with creditors regarding PODs ▪ Maintaining POD register
	Deed of Company Arrangement (DOCA)	<ul style="list-style-type: none"> ▪ Meetings and correspondences with the Director in relation to the requirements for a DOCA ▪ Provide additional creditor claim information to assist the Director formulating the DOCA
	Updates from the Receivers and Managers	<ul style="list-style-type: none"> ▪ Discussion with the Receivers and Managers of the Company regarding the administration
Investigations 11.6 hours \$4,446.00	Conducting investigations into affairs of the Company	<ul style="list-style-type: none"> ▪ Reviewing the Company's books and records ▪ Investigating potential recoveries available to a liquidator, including unfair preferences and an insolvent trading claim, if appointed ▪ Investigating and understanding company nature and history ▪ Obtain and review statutory searches ▪ Meeting with the Director in relation to the Company's affairs and reasons for failure ▪ Conducting preliminary analysis to determine the likely date of insolvency for the Company, including the review

		<p>of:</p> <ul style="list-style-type: none"> ○ Historical financial accounts ○ Bank statements ○ Review multiple related party transactions and verify their legitimacy
<p>Employees 0.5 hours \$160.00</p>	Employee Correspondence	<ul style="list-style-type: none"> ▪ Attending to ad hoc queries raised by employees/ex-employees
<p>Administration 37.2 hours \$16,842.00</p>	Appointment	<ul style="list-style-type: none"> ▪ Receiving appointment documents ▪ Securing accounting data ▪ Advising third parties of appointment including ATO, OSR and utilities
	General	<ul style="list-style-type: none"> ▪ Word processing including correspondence, file notes, agendas and minutes ▪ Care and maintenance of the file
	Checklist/document maintenance	<ul style="list-style-type: none"> ▪ Updating appointment checklist ▪ Physical and electronic document filing and maintenance
	ASIC lodgements	<ul style="list-style-type: none"> ▪ Preparing and lodging appointment documents ▪ Lodging appointment and meeting notices
	Australian Taxation Office (“ATO”) lodgements	<ul style="list-style-type: none"> ▪ Notify appointment of Voluntary Administrators ▪ Requesting information from the ATO
	File and planning reviews	<ul style="list-style-type: none"> ▪ Internal meetings concerning the status of the appointment as required ▪ Filing and planning reviews concerning the progress of the appointment as required

Schedule 2: Table of major tasks for resolution 2 remuneration approval

Table 12 provides a description of the work undertaken in each major task area for the period 22 May 2019 to completion of the Voluntary Administration (inclusive).

Table 12: Work undertaken for the period 22 May 2019 to completion of the Voluntary Administration (inclusive)

Task Area	General Description	Includes
Creditors 26.3 hours \$10,000.00	Creditor enquiries	<ul style="list-style-type: none"> ▪ Receiving creditor enquiries ▪ Maintaining register of creditor enquiries ▪ Responding to creditor enquiries by telephone, email, facsimile and post
	Creditor reports & circulars	<ul style="list-style-type: none"> ▪ Preparing section 75-225 Report to Creditors including analysis of the Company’s history, operations, creditor claims and estimated return to creditors
	Processing PODs not relating to a dividend	<ul style="list-style-type: none"> ▪ Issuing, receiving and filing PODs ▪ Adjudication on PODs ▪ Maintaining POD register
	DOCA	<ul style="list-style-type: none"> ▪ Receive and review a DOCA proposal from the Director
	Second Meeting of Creditors	<ul style="list-style-type: none"> ▪ Preparing inclusive notices, proxies and advertisements ▪ Distributing meeting notices & proxies ▪ Preparing agenda and other documents for inclusive ▪ Preparing and lodging minutes with ASIC ▪ Responding to queries arising from meeting
Investigation 10.4 hours \$4,000.00	Conducting investigation into affairs of the Company	<ul style="list-style-type: none"> ▪ Reviewing creditor claims in the lead up to the inclusive and admitting creditors to vote ▪ Obtaining and reviewing statutory searches ▪ Investigating specific transactions warranting investigation ▪ Preparing comparative financial statements ▪ Communicating with the Director concerning company information
Employees 3.5 hours \$1,000.00	Employee Correspondence	<ul style="list-style-type: none"> ▪ Attending to ad hoc queries raised by employees/ex-employees
Administration 11.0 hours \$5,000.00	General	<ul style="list-style-type: none"> ▪ Word processing including correspondence, file notes, agendas and minutes ▪ Care and maintenance of the file
	DOCA	<p>If the Company is to execute a DOCA</p> <ul style="list-style-type: none"> ▪ Liaising with the Director regarding the final terms of a Deed of Company Arrangement ▪ Communicating with stakeholders concerning proposed DOCA ▪ Negotiating terms of DOCA ▪ Obtaining legal advice on DOCA terms

		<ul style="list-style-type: none"> ▪ Reviewing draft Deed ▪ Finalising and executing DOCA
	Checklist/document maintenance	<ul style="list-style-type: none"> ▪ Updating appointment checklist ▪ Physical and electronic document filing and maintenance
	File and planning reviews	<ul style="list-style-type: none"> ▪ Internal meetings concerning the status of the appointment as required ▪ File and planning reviews concerning the progress of the appointment as required

Schedule 3: Table of major tasks for resolution 3 remuneration approval [DOCA scenario]

Table 13 provides a description of the work undertaken in each major task area for the period commencement to completion of DOCA (inclusive).

Table 13: Work undertaken for the period commencement to completion of DOCA (inclusive)

Task Area	General Description	Includes
Assets 5.5 hours \$2,000.00	Bank accounts	<ul style="list-style-type: none"> Bank account reconciliations
	Contributions and Proceeds	<ul style="list-style-type: none"> Monitoring the receipt of Deed contributions
Creditors 21.0 hours \$8,000.00	Creditors enquiries	<ul style="list-style-type: none"> Receiving creditor enquiries Maintaining register of creditor enquiries Responding to creditor enquiries by telephone, email, facsimile and post
	Secured Creditor Reporting	<ul style="list-style-type: none"> Responding to queries raised by secured creditor
	Creditor reports & circulars	<ul style="list-style-type: none"> Statutory Report to Creditors Ad hoc circulars to creditors
	Processing proofs of debt	<ul style="list-style-type: none"> Communicating with creditors inviting them to lodge PODs Issuing, receiving and filing PODs Reviewing, consideration and adjudication of PODs Maintaining POD register Communicating with creditors seeking further information Advising creditors of POD adjudication
Employees 5.5 hours \$2,000.00	Calculating entitlements	<ul style="list-style-type: none"> Liaising with the ATO regarding calculation of the Superannuation Guarantee Charge Reviewing awards Liaising with solicitors regarding entitlements
	Employee Correspondence	<ul style="list-style-type: none"> Sending out updates to employees Attending to ad hoc queries raised by employees
	Employee dividend (if applicable)	<ul style="list-style-type: none"> Communications with employees Communications with the ATO concerning SGC proof of debt Adjudicating claims Calculating dividend rate Preparing dividend file Distributing dividend payments Preparing PAYG Payment Summaries in relation to dividend Remitting PAYG from dividend to the ATO
Dividend 21.0 hours \$8,000.00	Dividend Procedures	<ul style="list-style-type: none"> Communicating with creditors concerning declaration of dividend Advertising intention to declare dividend Preparing and finalising dividend calculation

		<ul style="list-style-type: none"> ▪ Maintaining dividend file and register ▪ Obtaining ATO clearance to allow dividend payment ▪ Advertising dividend declaration ▪ Paying dividend to creditors and associated correspondence
Administration 22.0 hours \$10,000.00	General	<ul style="list-style-type: none"> ▪ Word processing including correspondence, file notes, agendas and minutes ▪ Care and maintenance of the file
	Checklist/document maintenance	<ul style="list-style-type: none"> ▪ Updating appointment checklist ▪ Physical and electronic document filing and maintenance
	Bank accounts	<ul style="list-style-type: none"> ▪ Closing bank accounts ▪ Bank account reconciliations
	ASIC lodgements	<ul style="list-style-type: none"> ▪ Lodgement of end of administration return ▪ Ad hoc communications with ASIC
	ATO lodgements	<ul style="list-style-type: none"> ▪ Cessation of appointment ▪ Preparation and submission of BAS
	File and planning reviews	<ul style="list-style-type: none"> ▪ Internal meetings concerning the status of the appointment as required ▪ File and planning reviews concerning the progress of the appointment as required
	Finalisation	<ul style="list-style-type: none"> ▪ Notifying creditors and statutory bodies of finalisation of the DOCA terms ▪ Retiring as Deed Administrators and returning control of the Company to the Director

Schedule 4: Table of major tasks for resolution 4 remuneration approval [Liquidation Scenario]

Table 14 provides a description of the work undertaken in each major task area for the period commencement to completion of the Liquidation (inclusive) [Liquidation scenario].

Table 14: Work undertaken for the period commencement to completion of Liquidation (inclusive)

Task Area	General Description	Includes
Assets 31.5 hours \$12,000.00	Stock	<ul style="list-style-type: none"> ▪ Liaising with valuers, auctioneers and interested parties ▪ Reviewing asset listings
	Contributions and Proceeds	<ul style="list-style-type: none"> ▪ Monitoring the receipt of sale of stock proceeds
	Debtors (if applicable)	<ul style="list-style-type: none"> ▪ Correspondence with debtors ▪ Reviewing and assessing debtors' ledgers ▪ Reviewing potential related party Debtor
	Bank accounts	<ul style="list-style-type: none"> ▪ Bank account reconciliation
Creditors 10.5 hours \$4,000.00	Creditor enquiries	<ul style="list-style-type: none"> ▪ Receiving creditor enquiries ▪ Maintaining register of creditor enquiries ▪ Responding to creditor enquiries by telephone, email, facsimile and post ▪ Liaising with the Director in relation to specific creditor claims
	Creditor reports & circulars	<ul style="list-style-type: none"> ▪ Preparing Statutory Report to Creditors ▪ Preparing ad hoc circulars to creditors
	Creditor Meetings	<ul style="list-style-type: none"> ▪ Preparing meeting notices, proxies and advertisements ▪ Distributing meeting notices & proxies ▪ Preparing agenda and other documents for meeting ▪ Preparing and lodging meeting minutes with ASIC ▪ Responding to queries arising from meeting
	Related party claims	<ul style="list-style-type: none"> ▪ Reviewing related party transactions in respect to their claim in the liquidation ▪ Determining dividend to related party under subrogated claim (if applicable)
Investigations 52.5 hours \$20,000.00	Potential Antecedent Transaction Recoveries and Insolvent Trading Claim	<ul style="list-style-type: none"> ▪ Analysing specific transactions warranting further investigation ▪ Reviewing the Company's records regarding potential claims ▪ Reviewing Company's electronic records in relation to potential claims
	Reporting to ASIC	<ul style="list-style-type: none"> ▪ Further investigating the Company's affairs and preparing and lodging statutory investigation report pursuant to Section 533 of the Act with ASIC ▪ Preparing supplementary statutory investigation report to ASIC (if required) ▪ Requesting funding from ASIC if required

		<ul style="list-style-type: none"> ▪ Communications with ASIC concerning investigations
	Related party claims	<ul style="list-style-type: none"> ▪ Reviewing related party transactions in respect to their claim in the liquidation
Employees 15.0 hours \$6,000.00	Calculating entitlements	<ul style="list-style-type: none"> ▪ Liaising with the Australian Taxation Office regarding calculation of the Superannuation Guarantee Charge
	Employee Correspondence	<ul style="list-style-type: none"> ▪ Sending out updates to employees ▪ Attending to ad hoc queries raised by employees
	Employee dividend (if applicable)	<ul style="list-style-type: none"> ▪ Communicating with employees ▪ Communicating with the ATO concerning SGC proof of debt ▪ Adjudicating claims ▪ Calculating dividend rate ▪ Preparing dividend file ▪ Distributing dividend payments ▪ Preparing PAYG Payment Summaries in relation to dividend ▪ Remitting PAYG from dividend to the ATO
	Fair Entitlements Guarantee (“FEG”)	<ul style="list-style-type: none"> ▪ Determining whether FEG’s assistance is required in the liquidation ▪ Communications with FEG ▪ Completing FEG questionnaires
Dividend 21.0 hours \$8,000.00	Dividend Procedures	<ul style="list-style-type: none"> ▪ Communicating with creditors concerning declaration of dividend ▪ Advertising intention to declare dividend ▪ Preparing and finalising dividend calculation ▪ Maintaining dividend file and register ▪ Obtaining ATO clearance to allow dividend payment ▪ Advertising dividend declaration ▪ Paying dividend to creditors and associated correspondence
Administration 22.0 hours \$10,000.00	General	<ul style="list-style-type: none"> ▪ Word processing including correspondence, file notes, agendas and minutes ▪ Care and maintenance of the file
	Checklist/document maintenance	<ul style="list-style-type: none"> ▪ Updating appointment checklist ▪ Physical and electronic document filing and maintenance
	Bank accounts	<ul style="list-style-type: none"> ▪ Closing bank accounts ▪ Bank account reconciliations
	ASIC lodgements	<ul style="list-style-type: none"> ▪ Lodging end of administration return ▪ Communicating with ASIC
	ATO lodgements	<ul style="list-style-type: none"> ▪ Lodging a Cessation of appointment ▪ Preparing and submitting BAS
	Finalisation	<ul style="list-style-type: none"> ▪ Communication with ATO concerning finalisation ▪ Cancelling ABN/GST/PAYG registration ▪ Finalising WIP ▪ Completing checklists

Schedule 5: FTI Consulting Schedule of Rates

FTI Consulting CF&R Standard Rates effective 1 March 2017 (excluding GST)		
Typical classification	Standard Rates \$/hour	General guide to classifications
Senior Managing Director	625	Registered/Official Liquidator and/or Trustee, with specialist skills and extensive experience in all forms of insolvency administrations. Alternatively, has proven leadership experience in business or industry, bringing specialist expertise and knowledge to the administration.
Managing Director	580	Specialist skills brought to the administration. Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee. May also be a Registered/Official Liquidator and/or Trustee. Alternatively, has extensive leadership/senior management experience in business or industry.
Senior Director	570	Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee, where required. May also be a Registered/Official Liquidator and/or Trustee or have experience sufficient to support an application to become registered. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Director	510	Significant experience across all types of administrations. Strong technical and commercial skills. Has primary conduct of small to large administrations, controlling a team of professionals. Answerable to the appointee, but otherwise responsible for all aspects of the administration. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Senior Consultant 2	440	Typically an ARITA professional member. Well-developed technical and commercial skills. Has experience in complex matters and has conduct of small to medium administrations, supervising a small team of professionals. Assists planning and control of medium to larger administrations.
Senior Consultant 1	380	Assists with the planning and control of small to medium administrations. May have the conduct of minor administrations. Can supervise staff. Has experience performing more difficult tasks on larger administrations.
Consultant 2	360	Typically ICAA qualified (or similar). Required to control the tasks on small administrations and is responsible for assisting with tasks on medium to large administrations.
Consultant 1	315	Qualified accountant with several years' experience. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 2	280	Typically a qualified accountant. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 1	260	Typically a university undergraduate or graduate. Required to assist with day-to-day tasks under the supervision of senior staff.
Junior Associate	185	Undergraduate in the latter stage of their university degree.
Administration 2	185	Well-developed administrative skills with significant experience supporting professional staff, including superior knowledge of software packages, personal assistance work and/or office management. May also have appropriate bookkeeping or similar skills.
Junior Accountant	155	Undergraduate in the early stage of their university degree.
Administration 1	155	Has appropriate skills and experience to support professional staff in an administrative capacity.

The FTI Consulting Standard Rates above apply to the Corporate Finance & Restructuring practice and are subject to periodical review.

Schedule 6: FTI Consulting Schedule of Rates

FTI Consulting CF&R Standard Rates effective 1 May 2019 (excluding GST)		
Typical classification	Standard Rates \$/hour	General guide to classifications
Senior Managing Director	695	Registered Liquidator and/or Trustee, with specialist skills and extensive experience in all forms of insolvency administrations. Alternatively, has proven leadership experience in business or industry, bringing specialist expertise and knowledge to the administration.
Managing Director	625	Specialist skills brought to the administration. Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee. May also be a Registered Liquidator and/or Trustee. Alternatively, has extensive leadership/senior management experience in business or industry.
Senior Director	575	Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee, where required. May also be a Registered Liquidator and/or Trustee or have experience sufficient to support an application to become registered. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Director	515	Significant experience across all types of administrations. Strong technical and commercial skills. Has primary conduct of small to large administrations, controlling a team of professionals. Answerable to the appointee, but otherwise responsible for all aspects of the administration. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Senior Consultant 2	465	Typically an Australian Restructuring Insolvency & Turnaround Association professional member. Well developed technical and commercial skills. Has experience in complex matters and has conduct of small to medium administrations, supervising a small team of professionals. Assists planning and control of medium to larger administrations.
Senior Consultant 1	400	Assists with the planning and control of small to medium-sized administrations. May have the conduct of simpler administrations. Can supervise staff. Has experience performing more difficult tasks on larger administrations.
Consultant 2	375	Typically Institute of Chartered Accountants in Australia qualified chartered accountant (or similar). Required to control the tasks on small administrations and is responsible for assisting with tasks on medium to large-sized administrations.
Consultant 1	335	Qualified accountant with several years' experience. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 2	320	Typically a qualified accountant. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 1	300	Typically a university graduate. Required to assist with day-to-day tasks under the supervision of senior staff.
Junior Associate	195	Undergraduate in the latter stage of their university degree.
Administration 2	205	Well developed administrative skills with significant experience supporting professional staff, including superior knowledge of software packages, personal assistance work and/or office management. May also have appropriate bookkeeping, accounting support services or similar skills.
Junior Accountant	155	Undergraduate in the early stage of their university degree.
Administration 1	165	Has appropriate skills and experience to support professional staff in an administrative capacity. May also have appropriate bookkeeping, accounting support services or similar skills.

The FTI Consulting Standard Rates above apply to the Corporate Finance & Restructuring practice and are subject to periodical review.

**Rosendorff Diamond Jewellers Pty Ltd ACN 009 173 139
(Receivers and Managers Appointed) (Administrators Appointed)
ATF Rosendorff Diamond Jewellers Trust ("the Company")**

NOTICE OF SECOND MEETING OF CREDITORS

NOTICE IS HEREBY GIVEN that the second meeting of creditors of the Company will be held on **Tuesday, 4 June 2019** at the 'Seminar Room', Central Park Business Centre, 152-158 St Georges Terrace, PERTH WA 6000, commencing at **11:00am (AWST)**.

AGENDA

1. The purpose of the meeting is:
 - a) to review the report of the Administrators and their recommendation in connection with the business, property, affairs and financial circumstances of the Company; and
 - b) for the creditors of the Company to resolve:
 - i) that the Company execute a deed of company arrangement; or
 - ii) that the administration should end; or
 - iii) that the Company be wound up.
2. To consider adjourning the second meeting of creditors for a period not exceeding 45 business days, if appropriate;
3. Creditors will be requested to fix the remuneration to be paid to the Administrators, as calculated on a time basis for the period 29 April 2019 to 21 May 2019 (inclusive);
4. Creditors will be requested to fix the remuneration to be paid to the Administrators, as calculated on a time basis for the period 22 May 2019 to completion of the Voluntary administration (inclusive);
5. If the Company enters into a Deed of Company Arrangement, the Deed Administrators will seek to have creditors resolve to fix the remuneration of the Deed Administrators;
6. If the Company is placed into liquidation, to consider the appointment of a Committee of Inspection and if required, to determine the members;

7. If the Company is placed into liquidation, creditors will be requested to fix the remuneration to be paid to the liquidators;
8. If the Company is placed into liquidation, the Liquidators be authorised to destroy the Company's books and records three months after the date of deregistration of the Company, subject to the consent of the Australian Securities and Investments Commission; and
9. Any other business properly brought before the meeting.

Telephone facilities are available for those creditors wishing to attend by telephone. If you wish to attend by telephone can you please contact the Administrators office via telephone on (08) 6430 1331 or via email at Robert.beaumont@fticonsulting.com no later than **4:00 pm WST Friday, 31 May 2019** so that the necessary arrangements can be made.

Creditors wishing to vote at the meeting:

- who will not be attending in person or are a company, must complete and return an Appointment of Proxy Form (attached); and
- must complete and return a Formal Proof of Debt or Claim Form (attached) if not already done so.

The above documents are required to be submitted by no later than **4:00pm (AWST)** on **Friday, 31 May 2019** by email at robert.beaumont@fticonsulting.com or by fax to (08) 6430 1331.

Dated this 24th day of May 2019



Daniel Woodhouse
Joint and Several Administrator

APPOINTMENT OF PROXY

**Rosendorff Diamond Jewellers Pty Ltd ACN 009 173 139
(Receivers and Managers Appointed) (Administrators Appointed)
ATF Rosendorff Diamond Jewellers Trust ("the Company)**

I/We (*name*)

.....
of (*address*)

.....
a creditor of the Company, appoint (*add name and address of pro.....*)

.....
or in his/her absence (*add alternate proxy*)

as my / our proxy, to vote at the second meeting of creditors to be held at 11:00am (AWST) on Tuesday, 4 June 2019 at the 'Seminar Room', Central Park Business Centre, 152-158 St Georges Terrace, PERTH WA 6000 or at any adjournment of that meeting.

Option 1: If appointed as a general proxy, as he/she determines on my/our behalf.

AND/OR Option 2:

If appointed as a special proxy for some or all resolutions, specifically in the manner set out below (please tick).

	Resolution (<i>please specify the particular resolution</i>)	For	Against	Abstain
1	Resolution in relation to the future of the Company – Please note you may only vote in relation to either 1(a) or 1(b) or 1(C). (a) The Company be wound up. OR (b) The Company should enter a Deed of Company Arrangement. OR (c) The Administration should end and control of the Company be reverted to the Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	The meeting to be adjourned.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	The remuneration of the Administrators of Rosendorff Diamond Jewellers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed) ACN 009 173 139 for the period 29 April 2019 to 21 May 2019 (inclusive) be calculated on a time basis at the hourly rates set out in the Schedules of FTI Consulting Standard Rates effective 1 March 2017 and the Schedules of FTI Consulting Standard Rates effective 1 May 2019 (Corporate Finance & Restructuring and Strategic Communications), and are determined and approved for payment in the amount of \$52,744.50 plus GST and the Administrators can draw the remuneration.			
3	The remuneration of the Administrators of Rosendorff Diamond Jewellers Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed) ACN 009 173 139 for the period 22 May 2019 to completion of the Voluntary Administration (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Voluntary Administrators and staff of FTI Consulting, calculated at the hourly rates set out in the schedule of FTI Consulting Standard Rates effective 1 May 2019, up to an initial capped amount of \$22,000 plus GST, and the Administrators can draw the remuneration as required.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If Creditors resolve the Company is execute a Deed of Company Arrangement				
4	The future remuneration of the Deed Administrators of Rosendorff Diamond Jewellers Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed) ACN 009 173 139 for the period from commencement to completion of DOCA (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Deed Administrators and staff of FTI Consulting, calculated at the hourly rates set out in the schedule of FTI Consulting Standard Rates effective 1 May 2019, up to an initial capped amount of \$30,000 plus GST, and the Deed Administrators can draw the remuneration as required.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If Creditors resolve to wind up the Company				
5	The future remuneration of the Liquidators of Rosendorff Diamond Jewellers Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed) ACN 009 173 139 for the period from commencement to completion of the liquidation (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Liquidators and staff of FTI Consulting, calculated at the hourly rates set out in the schedule of FTI Consulting Standard Rates effective 1 May 2019, up to an initial capped amount of \$60,000 plus GST and the Liquidators can draw the remuneration as required.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Whether a committee of Inspection be appointed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	That pursuant to Section 70-35 of the Insolvency Practice Schedule, the Liquidators be authorised to destroy the books and records of the Company, three months after the deregistration of the Company, subject to obtaining the approval of the Australian Securities and Investments Commission.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated:

.....
Name and signature of authorised person

.....
Name and signature of authorised person

CERTIFICATE OF WITNESS – only complete if the person given the proxy is blind or incapable of writing.

I, of
certify that the above instrument appointing a proxy was completed by me in the presence of and at
the request of the person appointing the proxy and read to him before he attached his signature or
mark to the instrument.

Dated: Signature of witness:
Description: Place of residence:

FORM 535 - FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

Subregulation 5.6.49(2)
Corporations Act 2001

**ROSENDORFF DIAMOND JEWELLERS PTY LTD ACN 009 173 139
(RECEIVERS AND MANAGERS APPOINTED) (ADMINISTRATORS APPOINTED)
ATF ROSENDORFF DIAMOND JEWELLERS TRUST ("THE COMPANY")**

To the Voluntary Administrators of Rosendorff Diamond Jewellers Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed)

1. This is to state that the Company was on 29 April 2019, and still is, justly and truly indebted to:

Name of Creditor: _____

Address of Creditor: _____

Debt Owed: \$ _____ and _____ cents

Particulars of the debt are:

Date	Consideration <i>(state how the debt arose)</i>	Amount <i>(incl. GST)</i> \$ c	GST \$ c	Remarks <i>(include details of voucher substantiating payment)</i>
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2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following: *(insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form.)*

Date	Drawer	Acceptor	Amount	Due Date
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3. * I am the creditor personally OR

3. * I am employed by the creditor and authorised in writing by the creditor to make this statement OR

3. * I am the creditor's agent authorised in writing to make this statement in writing.

* Omit if inapplicable

I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

Dated: _____

Name of authorised Person

Signature of Authorised person

.....
Occupation

.....
Address

.....
Email

.....
Telephone

I/we nominate to receive electronic notification of notices or documents by email at the following address:

Email address: _____

GUIDANCE NOTES FOR COMPLETING PROXY AND PROOF OF DEBT OR CLAIM APPOINTMENT

OF PROXY FORM

A person can appoint another person to attend the meeting on their behalf by completing the Form of proxy.

If the creditor is a company or a firm, a person needs to be appointed to represent the company.

This representative needs to be appointed by completing the Form of Proxy in accordance with section 127 of the Corporations Act 2001 ("the Act"). Alternatively, the appointed person must be authorised to act as a representative for the company per section 250D of the Act.

The Form of proxy is valid only for the meeting indicated (or any adjournment).

You may appoint either a general proxy (a person who may vote at their discretion on motions at the meeting) or a special proxy (who must vote according to your directions). If you appoint a special proxy, you should indicate on the form what directions you have given. In many instances, there will be a box or section on the proxy form where you can mark how you want your proxy to vote for you.

If you are unable to attend the meeting and you do not have a representative who can attend on your behalf, you may if you wish appoint the Chairperson of the Meeting as your proxy. The Chairperson can be appointed as a general proxy or a special proxy. This is entirely your choice.

FORMAL PROOF OF DEBT OR CLAIM FORM

The proof of debt submitted during an Administration is used for voting purposes at any meetings of creditors and also to help establish the overall level of creditor claims in the administration.

Admission of your proof for voting purposes does not mean that the Administrator has agreed with your proof for the purpose of making a dividend distribution.

You should include a description of how your debt/claim arose, whether you are claiming a security interest in property and if you have any guarantees and indemnities for the debt. If you need more space, you can attach any additional details you wish to include – just make sure that you mention this on the form so we know what you've attached and how many pages.

You should provide supporting documents that substantiate what you are owed by the Company. This may include things like account statements, unpaid invoices and their corresponding purchase orders, PPSR registration, agreements/terms of trade, contracts, lease or hire agreements, court order or judgment, guarantee or loan document, emails/other correspondence with the Company.

If you need help in completing the forms or if you are uncertain what information you should attach, please email or telephone the nominated FTI Consulting contact person.