

MELSOM ROBSON CHARTERED ACCOUNTANTS

Incorporating

F I T SOLUTIONS

Partners

George A Lopez CA, B.Bus
Evan R Verge FCPA, Affiliate ICAA, M. Bus

t: +61 8 9325 2010
f: +61 8 9325 1991
w: www.fitsolutions.com.au

Unit 44B
Level 1, Piccadilly Square West
7 Aberdeen St
(Cnr Nash St)
Perth WA

All correspondence to:
PO Box 8258
Perth BC WA 6849

YOUR REF:
OUR REF: LULUCDEV/CVL0031 REPORT
CONTACT: MR PETER MCGLADE
EMAIL: pmcglade@fitsolutions.com.au

18 June, 2009

REPORT UNDER SECTION 508(1)(b)(ii)

Company Name	LULU CHILD DEVELOPMENT PTY LTD (IN LIQUIDATION)
ACN	117 203 200
Formerly	LULU CHILD CARE AND FAMILY DEVELOPMENT PTY LTD
Liquidator/s	GEORGE AUBREY LOPEZ & EVAN ROBERT VERGE
Date of Liquidation	29 May, 2008
Contact for queries	Mr Peter McGlade
Contact Email	pmcglade@fitsolutions.com.au
Contact Phone Number	(08) 9325 2010

As creditors will recall from our previous Circulars, at a meeting of members of LULU CHILD DEVELOPMENT PTY LTD ("LCD") called pursuant to Section 491 of the Corporations Act and held on the 29 May, 2008, it was resolved that the company be wound up voluntarily and that Messrs G.A. Lopez and E.R. Verge of this office be appointed the Joint and Several Liquidators.

At a meeting of the creditors of the company held on the 9 June, 2008, the appointment of Messrs Lopez and Verge was confirmed.

LCD had been placed in liquidation at the same time as two related companies being Lulu Childcare Solutions Pty Ltd and Lulu Technologies Ltd.

Section 508(1) of the Corporations Act requires that:-

If the winding up continues for more than 1 year, the Liquidator must:

- (a) in the case of a members' voluntary winding up - convene a general meeting of the company; or
- (b) in the case of a creditors' voluntary winding up:
 - (i) convene a meeting of the creditors; or
 - (ii) prepare a report that complies with subsection (3), and lodge a copy of the report with ASIC;

within 3 months after the end of the first year beginning on the day on which the company resolved that it be wound up voluntarily and the end of each succeeding year.

Section 508(4) states that:-

If a Liquidator prepares a report under subparagraph (1)(b)(ii), the Liquidator must, within 14 days of lodging a copy of the report with ASIC, give each creditor of the company a written notice stating that:

- (a) the Liquidator has decided not to convene a meeting of the creditors under subparagraph (1)(b)(i); and



- (b) the Liquidator has:
- (i) prepared a report under subparagraph (1)(b)(ii); and
 - (ii) lodged a copy of the report with ASIC; and
- (c) if the creditor requests the Liquidator to give the creditor a copy of the report free of charge, the Liquidator will comply with the request.

Accordingly, Notice is hereby given that:-

1. the Liquidator has determined not to convene a meeting under Section 508(1)(b)(i),
2. a Report has been prepared under Section 508(1)(b)(ii),
3. the Report has been lodged with the ASIC, and
4. whilst the Corporations Act provides that the Liquidator shall make a copy available to a creditor on request, the content of the Report is provided as follows to each creditor:-

The Liquidator's Report on the conduct of this administration is given under the following headings:-

1. Receipts and Payments
2. Asset Realisations
3. Proofs of Debt
4. Investigations
5. Dividend Prospects
6. Outstanding Matters
7. Estimated Time Winding Up will be finalised

1. Receipts and Payments

We refer to the following Statement of Receipts and Payments for the period from the commencement of the winding up, namely 29 May, 2008 to 28 May, 2009:-

<u>RECEIPTS</u>	\$	\$
	(RATA)	
Cash at bank on appointment	8,582.96	8,582.96
Sundry debtors - Schedule B	5,500.00	4,761.39
Deposit interest	-	994.20
Plant & Equipment	20,000.00	17,513.64
Loan - Lulu Investments (Aust) Pty Ltd (In Liq)	10,093,829.00	-
Bankwest Term Deposit	29,562.48	118,250.00
<u>Trade on Receipts</u>		
FAO Child Care		40,623.98
Child Care Fees		76,471.78
Bank Interest		7,463.58
Other Receipts		6,030.61
Proceeds - Sale of Byford Centre		100,000.00
Sundry receipts		2,401.90
Tax Receipts (GST Credits)		14,611.10
Total Receipts		397,705.44



<u>PAYMENTS</u>	\$
<u>Disbursements</u>	
Bank charges	912.74
Photocopying	787.85
Postage	338.74
Printing	527.50
Telephone & fax	433.76
Travel	150.50
ASIC - Searches, etc	54.27
Couriers	33.80
Hire Meeting Room	30.00
Emails	324.50
Solicitor's costs	400.00
Statutory advertising/meetings	655.00
 <u>Trade On Expenses</u>	
Re-coup disbursements Child Care Centre (Food money)	300.00
Bank Charges	97.30
Capital 06070221	1,128.05
Centrepoint	829.68
Equipment Rent	1,582.00
Payroll - Vxpartners P/L & WHK P/L	5,100.00
Valuation - Gregsons	640.00
Wages & salaries	96,643.23
Weekly Food Money	4,806.08
Westnet	726.88
Qikkids Support	600.00
Electricity	4,072.93
Telephones	3,230.08
Photocopy usage	285.91
Equip Service/Maintenance/Repairs	4,049.54
Rubbish removal	40.00
Insurances	5,774.71
Payout telephone contract	4,545.36
Management Fees (By Purchaser)	3,000.00
Security	250.00
Superannuation Contributions	8,113.78
 <u>Sale of Byford Centre</u>	
Selling Agents Commission	10,000.00
Selling Agents Attendance Fee	651.82
Selling Agents Disbursements	132.18
Landgate Fees	88.00
 Liquidators' Remuneration - Pre Appointment - Approved	
Liquidators' Remuneration - Approved to 09/06/08	1,986.00
- Approved to 30/06/08	10,000.00
- Approved to 30/09/08	892.08
- Approved to 31/12/08	52,730.25
- Approved to 31/01/09	16,848.75
- Approved to 31/03/09	6,693.25
	10,854.27

Tax Payments (GST Credits)	12,923.66
ATO Payments (GST, PAYG, etc)	6,222.00
	<hr/>
Total Payments	318,158.94
	<hr/>
Balance at Bank(s) - \$79,546.50	

LCD's Report as to Affairs tabled at the creditors' meeting indicated assets at a book value of \$10,335,582 but with a total estimated realisable assets of \$63,665 as a loan to an associated but non related entity Lulu Investments (Aust) Pty Ltd ("LIA") of \$10,093,829 was shown as unknown as to collectability.

LIA was placed under voluntary administration on 10 April, 2008 and subsequently into liquidation on 19 August, 2008.

LCD Ltd holds a third ranking registered charge over the assets of LIA and if the asset valuations by the director are realistic, there is the potential that LCD may receive sufficient funds to pay all or substantially all of its creditors.

Please refer to Section 2.4 of this Report for further comment on this matter.

2. Asset Realisation

2.1 Sundry Debtors

At the date of liquidation, Debtors were shown in the RATA at an estimated realisable value of \$5,500 being for fees due by parents at that time in regard to the Byford Childs Care Centre operations.

Seven Debtors totalling \$3,769 remain for which legal action to recover is being considered but regard will be given to the cost vs benefit in each case.

2.2 Sale of Byford Centre

At the time LCD was placed in liquidation, the Liquidators had been advised that the Byford Child Care Centre business had been sold and understood that settlement was imminent.

Unfortunately, as matters progressed, settlement was delayed on a number of occasions with the result that the Liquidators had no alternative but to continue to run the Child Care Centre until settlement was ultimately achieved on 26th September, 2008.

As a consequence of the necessity to continue operating the Child Care Centre, additional administration costs were incurred and are reflected accordingly in the Receipts and Payments Report above.

Should the Liquidators have determined not to continue to operate the Child Care Centre, the sale would have been lost and the prospect of a further sale in the immediate future was considered highly unlikely given the business/real estate market at the time. The position would have been further exacerbated having regard to the world and local economic events that subsequently occurred in the latter part of 2008.

2.3 Plant & Equipment

The RATA showed Plant & Equipment at an estimated realisable value of \$20,000. This related to items mostly situated at a Child Care Centre in Glenorchy, Tasmania (construction was not completed prior to the secured creditor taking possession before LCD was placed in liquidation) and given the location, several difficulties were experienced in efforts to realise the equipment.



A number of the larger items of equipment were built in/installed in the centre and the costs of removal and potential auction results initially indicated that the items may have to be abandoned given that the costs to realise were likely to exceed the net proceeds.

However, avenues were pursued with the result that the Liquidators ultimately achieved sale of the items in situ realising the amount of \$17,413.

2.4 Loan – Lulu Investments (Aust) Pty Ltd (In Liquidation)(Receivers & Managers Appointed) - (“LIA”)

As indicated earlier in this Report, LCD Ltd holds a third ranking registered charge over the assets of LIA and if the asset valuations by the director are realistic, there is the potential that LCD may receive sufficient funds to pay all or substantially all of its creditors.

The amount realisable however, has yet to be determined as Receivers & Managers had been appointed over the assets of LIA by the first and second secured creditors and the prospects of repayment of all or part of the loan is unable to be assessed until such time as both Receivers & Managers have realised assets subject to the securities and ceased to act under their appointment/s.

We have been continually seeking information from the Receivers & Managers in regard to asset realisations, payment in full of the secured creditors and the time frame within which they anticipate finalising their appointment and have yet to receive final details from the Receivers & Managers.

3. Proof of Debts

The position in regard to claims received in the administration to date is summarised as follows:-

Claims	RATA	Received to Date	Under Consideration	To Be Lodged	Estimated Total Claims	Dividends Paid
Priority Wages & Super Claims	41,199	39,684	9,689	6,515	46,199	29,995
Annual Leave	11,000	7,677	-	-	7,677	7,677
Unsecured Ordinary Claims	11,974,360	11,805,223	11,805,223	175,713	11,980,936	-

4. Investigations

During the course of the initial Voluntary Administration and the subsequent Liquidation, investigations had been conducted pursuant to the Corporations Act and Reports lodged with the Australian Securities & Investments Commission (“ASIC”).

Following Reports lodged in the liquidation, the ASIC subsequently advised that the Liquidators could proceed to finalise the liquidation as/when considered appropriate.

5. Dividend Prospects

We had initially indicated in our previous Circular/s that the prospects of a dividend in LCD was “Unlikely” however following investigations during the course of the liquidation and subject to potential realisations from LIA assets perhaps the prospect of a dividend may be more correctly referred to as “Unknown” at this point in time.

Until the Receivers and Managers have completed their Appointments and resigned, we are unable to assess what assets of LIA remain and what realisations may be achieved and paid to LCD under the Debenture Charge.



Creditors will be kept informed once the Receivers and Managers have resigned and the matter is able to be progressed by the Liquidators of LCD.

6. Outstanding Matters

Work that remains to be pursued in the liquidation including:-

- Realisation of remaining/outstanding Debtor (Parent) Accounts.
- Pursue issues in regard to realisation of assets/payments by the Receivers and Managers appointed over LIA.
- Upon retirement of the Receivers & Managers, determine remaining assets in LIA subject to the registered Charge held by LCD.
- Realisation of the remaining assets of LIA secured under LCD's Charge.
- Subject to realisations received from LIA, deal with creditors' Proofs of Debt in LCD.
- Realisations/funds permitting, assess and if appropriate proceed with a dividend distribution to creditors of LCD.
- Finalisation of the liquidation including if required/appropriate, final members/creditors meetings.

7. Estimated Time Winding up will be finalised

The Liquidators are endeavouring to finalise the liquidation of LCD within the next 6 months however, such time frame will be subject to the completion of the outstanding matters indicated above.

Yours faithfully,

GEORGE A. LOPEZ
Liquidator