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Incorporating

FIT SOLUTIONS

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OUR REF: LULUCDEV/CVL0031 REPORT

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23 June, 2009

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

Company Name	LULU CHILDCARE SOLUTIONS PTY LTD (IN LIQUIDATION)
ACN	116 967 143
Formerly	-
Liquidator/s	GEORGE AUBREY LOPEZ & EVAN ROBERT VERGE
Date of Liquidation	29 May, 2008
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As creditors will recall from our previous Circular/s, at a meeting of members of LULU CHILDCARE SOLUTIONS PTY LTD ("LCS") 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.

LCS had been placed in liquidation at the same time as two related companies being Lulu Child Development 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

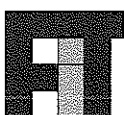
- (ii) prepare a report that complies with subsection (3), and lodge a copy of the report with ASIC;

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



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- (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)	\$ ACTUAL
Cash at bank on appointment	183.99	259.45
Cash on hand	1.10	-
Sundry debtors - Schedule B <i>(Refer Section 2.1 below)</i>	-	-
Plant & Equipment	10,000.00	4,545.45
Stock	10,000.00	8,854.56
Bankwest Term Deposit	53,606.00	-
Sundry receipts		6.36
Tax Receipts (GST Credits)		1,499.63
<u>DEEWR/GEERS</u>		
Funds for Employees' claims		24,412.18
Funds for Liquidators costs to distribute GEERS		1,200.00
Total Receipts		<u>\$40,777.63</u>
<u>PAYMENTS</u>		\$
Photocopying		461.90
Postage		101.35
Printing		133.95
Telephone & fax		88.56



Travel	13.65
Hire Meeting Room	30.00
Emails	46.50
Statutory advertising/meetings	212.80
Liquidators' Remuneration - Pre Appointment - Approved	1,015.00
Liquidators' Remuneration - To 30/09/08 - Approved	8,504.83
Tax Payments (GST Credits)	1,232.76
<u>DEEWR/GEERS</u>	
Payments on Employees' claims	24,412.18
Liquidators costs to distribute GEERS	1,199.00
Total Payments	<u>\$37,452.48</u>
Balance at Bank(s) - \$3,325.15	

2. Asset Realisations

2.1 Sundry Debtors

The director's RATA indicated 2 debtors as follows:-

- i) An amount of \$24,222.77 due by Land Alliance in regard to rent of office space however, the debt was shown at an estimated realisable value of Nil as there was no sub-lease agreement in place.
- ii) An amount of \$69,836.64 due by Lulu Child Development Pty Ltd but as this entity had been placed in liquidation at the same time as LCS, the amount realisable was shown as Nil. There may however be some recovery from Lulu Child Development Pty Ltd depending on asset realisations in that administration.

2.2 Plant & Equipment

The RATA showed Plant & Equipment at an estimated realisable value of \$10,000.

Realisations to date total \$4,545.45 exclusive of GST. There may be some further small realisations from sundry items (predominantly office type equipment) yet to be sold.

2.3 Stock

Stock was shown at a realisable value of \$10,000 and comprised clothing for children (being mainly winter stock).

The quantities on hand had proven too large for retailers to take a risk in purchasing the whole lot in one go and as a result, sales have been achieved with interested parties under a consignment arrangement.

Stock will continue to be sold on a consignment basis until such time as the Liquidators are able to hopefully achieve a sale of all remaining stock in one sale.

2.4 Bankwest Term Deposit

Whilst the RATA indicated an amount realisable of \$53,606.00 held on term deposit, this was in fact secured by a bank guarantee by the landlord in regard to rent.

At the date of liquidation, outstanding rent exceeded the term deposit and the landlord set off the funds secured against the rent and has yet to lodge a claim for the shortfall.

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	39,042	5,983	5,983	37,914	43,897	-
Holiday Pay	9,560	6,906	6,906	2,654	9,560	* -
Redundancy	20,769	20,769	20,769	-	20,769	* -
Unsecured						
Ordinary Claims	2,478,493	2,359,345	2,359,345	184,332	2,543,677	-

* The Liquidators have not paid any dividends to date in the liquidation however, under the government administered General Employee Entitlements and Redundancy Scheme ("GEERS"), the Department of Education, Employment and Workplace Relations ("DEEWR") had provided funds to the Liquidators to distribute in respect of former employees' priority claims for wages/annual leave and/or redundancy.

DEEWR paid employees' claims totalling \$5,875.56 in regard to annual leave entitlements and \$18,536.62 in regard to redundancy claims. Superannuation and Director's claims are not covered by the GEERS scheme.

Under the right of subrogation, DEEWR now stands in the shoes of the employees to the extent of employees' claims paid and ranks as a priority claim in lieu of the employees in the event that funds become available to enable a priority dividend distribution.

4. Investigations

During the course of the liquidation, investigations had been conducted pursuant to the Corporations Act and Reports lodged with the Australian Securities & Investments Commission ("ASIC").

Following Reports lodged, the ASIC subsequently advised that it would take no further action and 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 LCS was "Unlikely" and that assessment has not, at this stage, changed.

However, subject to asset realisations and any potential distribution from the liquidation of Lulu Child Development Pty Ltd, there may be a dividend but creditors will be advised should that position arise.

6. Outstanding Matters

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

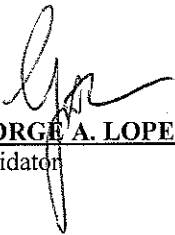
- Realisation of remaining stock.
- Determination of any dividend likely from the liquidation of Lulu Child Development Pty Ltd.
- Subject to final asset realisations, deal with creditors' Proofs of Debt if applicable.

- Realisations/funds permitting, assess and if appropriate proceed with a dividend distribution on admitted creditors' claims.
- 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 LCS 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