

MELSON ROBSON

CHARTERED ACCOUNTANTS

Incorporating

FIT 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: LULUHOLD/CVL0031 REPORT

CONTACT: MR PETER MCGLADE

EMAIL: pmcglade@fitsolutions.com.au

24 June 2009

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

Company Name	LULU HOLDINGS LTD (IN LIQUIDATION)
ACN	118 851 273
Formerly	-
Liquidator/s	GEORGE AUBREY LOPEZ & EVAN ROBERT VERGE
Date of Liquidation	16 June , 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 Circular/s, at a meeting of members of LULU HOLDINGS LTD ("LH") called pursuant to Section 491 of the Corporations Act and held on the 16 June, 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 26 June, 2008, the appointment of Messrs Lopez and Verge was confirmed.

Prior to LH being placed in liquidation, three related companies - Lulu Child Development Pty Ltd, Lulu Childcare Solutions Pty Ltd and Lulu Technologies Pty Ltd had been placed in liquidation on 29 May, 2008.

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



Forensic Accounting
Insolvency Administration
Turnaround Management

- (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 16 June, 2008 to 15 June, 2009:-

<u>RECEIPTS</u>	\$ <u>(RATA)</u>	\$ <u>ACTUAL</u>
Cash at bank on appointment	436.13	425.68
Sundry debtors - Schedule B (<i>Refer Section 2.1 below</i>)	14,111,970.03	-
ATO Refund	1,491.20	-
Shares in Associated Companies	300.00	-
Sundry receipts		460.91
Tax Receipts (GST Credits)		46.09
Total Receipts		\$932.68
<u>PAYMENTS</u>		\$
Couriers		8.22
Postage		154.10
Printing		117.75
Telephone & fax		50.00
Hire Meeting Room		30.00
Emails		49.00
Statutory advertising/meetings		410.80
Tax Payments (GST Credits)		81.99
Total Payments		\$901.86
Balance at Bank(s) - \$30.82		

2. Asset Realisations

2.1 Sundry Debtors

Debtors comprised three intercompany loans as follows:-

i) Lulu Childcare Solutions Pty Ltd - \$2,295,095.89

Lulu Childcare Solutions Pty Ltd was placed in liquidation on 29 May, 2008. The company's Report as to Affairs indicated total estimated realisable assets of \$73,791. The RATA also disclosed liabilities to a secured creditor of \$53,606, priority claims (employee/ superannuation/funds advanced to pay wages) of \$69,372 and unsecured creditors of \$2,478,493 (which includes a debt owed to Lulu Holdings Ltd of \$2,295,095).

In view of the priority claims and overall deficiency of \$2,527,680, there is unlikely to be any dividend distribution to unsecured creditors of Lulu Childcare Solutions Pty Ltd.

ii) Lulu Child Development Pty Ltd - \$11,769,927.32

Lulu Child Development Pty Ltd was placed in liquidation on 29 May, 2008. The company's Report as to Affairs indicated assets at a book value of \$10,332,582 but with a total estimated realisable assets of \$63,665 as Debtors included a loan to an associated but non related entity Lulu Investments (Aust) Pty Ltd of \$10,093,829.

The amount realisable has yet to be determined as Receivers & Managers had been appointed over the assets of the associated entity by two secured creditors and the prospect of repayment of all or part of the loan is unable to be assessed until such time as the Receivers and Managers have realised assets subject to the securities.

The RATA also disclosed liabilities to a potentially secured creditor of \$29,562, priority claims (employee/ superannuation/ funds advanced to pay wages) of \$54,102 and unsecured creditors of \$11,982,653 (which includes the debt owed to Lulu Holdings Ltd of \$11,769,927).

Lulu Child Development Pty Ltd holds a third ranking registered charge over the assets of Lulu Investments (Aust) Pty Ltd and if the asset valuations by the director are realistic, there is the potential that Lulu Child Development Pty Ltd may receive sufficient funds to pay all or substantially all of its creditors. This would see funds flow to Lulu Holdings Ltd which in turn may be able to pay all its creditors in full and potentially provide a return to shareholders.

Please note however that by necessity, the foregoing is conjecture at this point as the realisation of assets of Lulu Investments (Aust) Pty Ltd is totally out of the hands of the Liquidators.

iii) Lulu Technologies Pty Ltd - \$46,946.82

Lulu Technologies Pty Ltd was placed in liquidation on 29 May, 2008. The company's Report as to Affairs indicated total estimated realisable assets of \$5,000. The RATA also disclosed liabilities to unsecured creditors of \$46,946 (being Lulu Holdings Ltd).

In view of the priority claims and overall deficiency of \$41,946, there is unlikely to be any dividend distribution to unsecured creditors of Lulu Technologies Pty Ltd.

2.2 Shares in Associated Companies

The RATA indicated shares in associated companies as follows:-

i)	Lulu Childcare Solutions Pty Ltd	100 Shares	\$100.00
ii)	Lulu Child Development Pty Ltd	100 Shares	\$100.00
iii)	Lulu Technologies Pty Ltd	100 Shares	\$100.00

As these companies are in liquidation, there will be no realisable value for the above shareholdings.



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
Unsecured Ordinary Claims	2,014,769	-	-	2,014,769	2,014,769	-
Deferred Shareholders	13,941,021	-	-	13,941,021	13,941,021	-

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 Circular To Creditors/Shareholders dated 27 June, 2008 that there was unlikely to be any return to unsecured creditors nor any return of capital to shareholders.

However, following investigations and developments in associated companies in liquidation, creditors and shareholders were advised by Circular dated 15 October, 2008 that there may be a flow of funds from Lulu Child Development Pty Ltd to LH which may enable payment of all its creditors in full and potentially provide a return to shareholders. (Refer to comments in Section 2.1 of this Report.)

Creditors and Shareholders will be kept informed as matters progress.

6. **Outstanding Matters**


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

- Determination of any dividend/s likely from the liquidation of Lulu Child Development Pty Ltd.
- Subject to final asset realisations, deal with Claims/Proofs of Debt.
- Realisations/funds permitting, assess and if appropriate proceed with a dividend distribution on admitted creditors' claims and if sufficient funds permit, distribution on shareholders 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 LH 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