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**Pacific Rugs Pty Ltd (In Liquidation)
ACN 069 195 955 (“the Company”)**

Report Pursuant to Section 508 of the Corporations Act 2001

Monday, 16 July 2018

Graham Killer
Joint and Several Liquidator
T (07) 3222 0200
E Graham.Killer@au.gt.com

Michael McCann
Joint and Several Liquidator
T (07) 3222 0200
E Michael.McCann@au.gt.com



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1. Conduct of Liquidation

During the period of my appointment I have performed the following:

- Collected debtors;
- Realised assets;
- Finalised investigations in the Company's affairs;
- Corresponded with former employees and unsecured creditors of the Company regarding claims;
- Declared and distributed a first and final dividend to preferred (employee) creditors of the Company;
- Declared and distributed a first and second dividend to secured creditors of the Company;
- Liaised with the liquidators of debtor company, Australian Discount Retail (ADR) Group;
- Complied with statutory obligations such as advertising and the lodging of notices/documents with the Australian Securities & Investments Commission; and
- Complied with our statutory obligations such as the lodgement of Business Activity Statements with the Australian Taxation Office.

2. Outstanding Acts and Dealings

Before I am in a position to finalise this matter, the following tasks will be attended to:

- Receive a return from the Company's debtor, ADR Group. The Liquidators of ADR Group have declared a dividend to unsecured creditors which is due to be paid in the coming months;
- Finalise adjudication of ordinary unsecured creditors' claims;
- Declare and distribute a second and final dividend to ordinary unsecured creditors of the Company;
- Attend to the statutory reporting obligations of the Liquidation;
- Hold an annual meeting of creditors (scheduled for 17 August 2018); and
- Apply to the Australian Securities and Investments Commission to have the Company deregistered.

3. Estimated Completion Date

I anticipate that the liquidation process will be finalised by December 2018.



4. Summary of Receipts and Payments

Detailed below are the Liquidators' receipts and payments as at 18 May 2018:

	(\$ Inc. GST)
Receipts	
Loan Account Recoveries	270,000
Other Current Assets	3,034
Other Income	950
Pre-appointment Debtor Realisations	1,184,239
Sales	2,623,811
Sales - Plant & Equipment	144,644
Total Receipts	4,226,678
Payments	
Appointee Costs	(37,504)
Appointee Fees	(636,899)
COGS	(119,443)
Collection Agency	(8,362)
Commission	(92,312)
Computer Expenses	(10,762)
Customer & Duty	(19,586)
Discounts	(27,714)
Employee Dividend	(20,610)
Freight Inwards	(7,648)
Freight Outwards	(131,411)
GST Paid	(140,595)
Hire & Leasing	(25,560)
Insurance	(26,573)
Legal Fees	(41,142)
Other Expenses	(34,872)
Printing & Stationery	(5,560)
Professional Services	(5,786)
Rebate	(50,646)
Rent & Rates	(103,900)
Secured Creditor Dividend	(2,242,282)
Superannuation	(22,295)
Telephone & Fax	(18,250)
Unsecured Creditor Dividend - First Dividend	(71,570)
Utilities	(5,819)
Wages & Salaries	(316,281)
Total Payments	(4,223,383)
Receipts and Payments as at 18 May 2018	3,295



5. Remuneration and Disbursements of Liquidators

Attached in Annexure A of this report is the Remuneration Approval Report which contains the required information for making a decision regarding the approval of our remuneration for undertaking the Liquidation of the Company.

We are seeking additional remuneration of \$7,490 plus GST for time incurred in dealing with work in the Liquidation as a result of the delay by the Liquidators of ADR Group (a debtor of the Company) in paying a distribution to its unsecured creditors. The total additional distribution to unsecured creditors is estimated to be \$10,700 - \$14,500 and is expected to occur in the coming months. More information regarding this time is included in the Remuneration Approval Report.

We will be seeking approval of the following resolutions at the Annual Meeting of Creditors and Members (to be held on 17 August 2018) to approve our remuneration and disbursements:

- **Resolution 1:** "That the remuneration of the Liquidators, their partners and staff for the period 6 October 2017 to 8 July 2018 be calculated on a time basis, at the scale of rates charged (as set out in the Remuneration Approval Report dated 16 July 2018) be approved in the sum of \$4,490 plus GST and that the Liquidators can draw the remuneration immediately or as required."
- **Resolution 2:** "That the remuneration of the Liquidators, their partners and staff for the period from 9 July 2018 to the completion of the liquidation be calculated on a time basis, at the scale of rates charged (as set out in the Remuneration Approval Report dated 16 July 2018) and increased by 5% per annum as of 1 July each year, be approved to a capped amount in the sum of \$3,000 plus GST"
- **Resolution 3:** "That the disbursements of the Liquidators, their partners and staff for the period 9 July 2018 to finalisation of the Liquidation (as set out in the Remuneration Approval Report dated 16 July 2018), be approved to a capped amount of \$1,000 plus GST".

Should you have any queries with respect to the above, you may also contact Kegan Nash of my office on +61 7 3222 0244 or via email on kegan.nash@au.gt.com.

Dated this 16th day of July 2018

Graham Killer
Joint and Several Liquidator

Annexure A - Remuneration Approval Report



Remuneration Approval Report

Pacific Rugs Pty Ltd (In Liquidation)
ACN 069 195 955 (“the Company”)

This remuneration approval report provides you with the information you need to be able to make an informed decision regarding the approval of our remuneration for undertaking the Creditors Voluntary Liquidation of Pacific Rugs Pty Ltd.

This report has the following information included:

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What do you need to do next?

You should read this report and the other documentation that we have sent you and then attend the meeting of creditors in order to voice your opinion by casting your vote on the resolutions put to the meeting. The meeting will also give you an opportunity to ask any questions that you may have.

Alternatively, you are also able to appoint a representative to attend on your behalf by lodging a proxy form. Lodging a specific proxy form allows you to specify how your proxy must vote. Lodging a general proxy form allows your representative to choose how your vote is exercised.

Information about the meeting of creditors is provided at part 7 of this report. If you have any questions or need any assistance, please contact Kegan Nash on +61 7 3222 0244 or via email on kegan.nash@au.gt.com.

Part 1: Declaration

Michael Gerard McCann and I, Graham Robert Killer, of Grant Thornton Australia Limited have undertaken a proper assessment of this remuneration claim for our appointment as Joint and Several Liquidators of Pacific Rugs Pty Ltd in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the Creditors Voluntary Liquidation.

Part 2: Executive Summary

The total remuneration for this appointment is estimated to be \$586,490 (excluding GST).

This has increased compared to our previous estimate because additional time has been attributed to this since 6 October 2017.

Remuneration currently claimed and previously approved is summarised below:

Period	Report Reference	Amount (ex GST)
Current Remuneration claim:		
Resolution 1: 6 October 2017 to 8 July 2018	Schedule 1	\$4,490
Resolution 2: 9 July 2018 to Finalisation	Schedule 2	\$3,000
<i>Total – Current Remuneration Claim</i>		<i>\$7,490</i>
Past remuneration approved:		
9 February 2009 – 18 May 2009		\$296,000
19 May 2009 – 14 May 2010		\$220,000
15 May 2010 – 30 June 2012		\$30,000
1 July 2012 – 31 March 2014		\$20,000
1 April 2014 - Finalisation		\$13,000
<i>Total past remuneration approved</i>		<i>\$579,000</i>
TOTAL remuneration claimed and approved		\$586,490

Please refer to report section references detailed in the above table for full details of the calculation and composition of the remuneration approval sought.

Part 3: Remuneration

3.1 Remuneration claim resolutions

We will be seeking approval of the following resolutions to approve our remuneration. Details to support these resolutions are included in section 3.2 and in the attached Schedules.

3.2 Details of remuneration

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 Schedules 1.

Resolution 1 - 6 October 2017 to 8 July 2018

The below table sets out the costs for the major tasks performed by the Liquidators and their staff for the period 6 October 2017 to 8 July 2018 which is the basis of the Resolution 1 claim. More detailed descriptions of the tasks likely to be performed within each task area, matching the amounts below, are contained in Schedule 1.

		Task Area								
					Administration		Assets		Statutory	
Employee	Position	\$/Hr excl. GST	Total Hrs	Total excl. GST (\$)	Hrs	(\$)	Hrs	(\$)	Hrs	(\$)
Michael McCann	Partner	600	0.2	120					0.2	120
Shane Smith	Manager	500	5.0	2,500	4.6	2,300	0.4	200		
Aaron Previte	Senior Associate	410	0.5	205	0.4	164	0.1	41		
Kegan Nash	Associate	220	4.2	924	0.1	22	3.2	704	0.9	198
Tanya Brown	Associate	195	3.8	741	2.4	468			1.4	273
Total			13.7	4,490	7.5	2,954	3.7	945	2.5	591

Resolution 2 - 9 July 2018 to Finalisation:

The below table sets out the expected costs for the major tasks likely to be performed by the liquidator and his staff for the period 9 July 2018 to finalisation 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 B.

		Task Area			
		Admin	Creditors	Dividends	
		Total	(\$)	(\$)	(\$)
Estimate		3,000	500	1,000	1,500
GST		300			
Total (Incl. GST)		3,300			

3.3 Likely impact on dividends

The Corporations Act sets the order for payment of claims against the company and it provides for remuneration of the Liquidator to be paid in priority to other claims. This ensures that when there are sufficient funds, the Liquidator 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 my remuneration, this does not guarantee that I will be paid, as I am only paid if sufficient assets are recovered.

Any dividend to creditors will also be impacted by the amount of assets that I am 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. The monies recovered and realised in the Liquidation re sufficient to cover the Liquidation costs to date.

3.4 Remuneration recovered from external sources

To date there has been no remuneration recovered from any external sources and I am not aware of any remuneration recoverable from any external sources.

Part 4: 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.

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

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

4.1 Future basis of internal disbursements

Future disbursements provided by our firm will be charged to the administration on the following basis:

Internal Disbursement	Rate (Excl. GST)
Courier	At cost
Postage (large)	\$1.91 / page
Postage (small)	\$0.99 / page
Fax (interstate)	\$2 / page
Fax (local)	\$1 / page
Staff vehicle use	\$0.66 / km
<i>Rates Applicable for the Financial Year ending 30 June 2019</i>	

Approval of the payment of these disbursements at the above rates to a capped amount of \$1,000 is being sought from creditors at the meeting of creditors.

Part 5: Queries

If you have any queries in relation to the information in this report, please contact Kegan Nash of my office on 07 3222 0244 or alternatively by email at kegan.nash@au.gt.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").

Part 6: Approval of remuneration and internal disbursements

In summary, approval of the following proposals is being sought:

Resolution 1: “That the remuneration of the Liquidators, their partners and staff for the period 6 October 2017 to 8 July 2018 be calculated on a time basis, at the scale of rates charged (as set out in the Remuneration Approval Report dated 16 July 2018) be approved in the sum of \$4,490 plus GST and that the Liquidators can draw the remuneration immediately or as required.”

Resolution 2: “That the remuneration of the Liquidators, their partners and staff for the period from 9 July 2018 to the completion of the liquidation be calculated on a time basis, at the scale of rates charged (as set out in the Remuneration Approval Report dated 16 July 2018) and increased by 5% per annum as of 1 July each year, be approved to a capped amount in the sum of \$3,000 plus GST”

Resolution 3: “That the disbursements of the Liquidators, their partners and staff for the period 9 July 2018 to finalisation of the Liquidation (as set out in the Remuneration Approval Report dated 16 July 2018), be approved to a capped amount of \$1,000 plus GST”.

Part 7: Annual Meeting of Creditors and Members

As outlined in our circular to creditors dated 16 July 2018, an Annual Meeting of Creditors and Members will be held at Grant Thornton, Level 18, 145 Ann Street, Brisbane QLD 4000 on 17 August 2018 at 10:30am. The above resolutions will be put to creditors at the meeting.

Should creditors have any further queries regarding this report or the meeting of creditors, we request they contact Kegan Nash of our office on 07 3222 0244 or Kegan.nash@au.gt.com.

Yours Faithfully



GRAHAM KILLER
JOINT AND SEVERAL LIQUIDATOR
Monday, 16 July 2018

Schedule A – Resolution 1: Table of major tasks for remuneration

Task Area	General Description	Includes
Administration 7.5 hrs, \$2,954	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists
	ATO and other statutory reporting	Preparation and lodgement of BAS
	Bank account administration	Preparing correspondence Bank account reconciliations
	Planning / Review	Discussions regarding status of Liquidation
Assets 3.7 hrs, \$945	Debtors	Correspondence with debtors Liaising with Liquidators of Debtor Attendance at creditors meeting of debtor, ADR group
Statutory 2.5 hrs, \$591	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including final 505, 524 Other forms as required by ASIC Prepare and keep minutes for future meetings
Total (excl. GST)		\$4,490

Schedule B – Resolution 2: Table of major tasks for remuneration

The below table provides a description of the work that may be undertaken in each major task area for the period from 9 July 2018 to finalisation.

Task Area	General Description	Includes
Administration \$500	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists
	Bank account administration	Bank account reconciliations
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 524
	ATO and other statutory reporting	Preparing and lodging BAS
	Finalisation	Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists
	Planning / Review	Discussions regarding status of administration
	Books and records / storage	Dealing with records in storage Sending job files to storage
Creditors \$1,000	Creditor Enquiries, Requests & Directions	Receive and respond to creditor enquiries Maintaining creditor request log Review and prepare correspondence to creditors and their representatives
	Creditors/Proposal	Final reports to creditors
Dividends \$1,500	Documentation/ Dealing with creditors	Receipting and filing POD when related to a dividend
	Calculating / Reviewing Distribution	Calculating the distribution to unsecured creditors Reviewing the calculation and making payment to unsecured creditors
Total (excl GST)		\$3,000