



Grant Thornton

Grant Thornton (Qld) Pty Ltd
ABN 25 616 433 514
ACN 091 602 247

CIRCULAR TO CREDITORS

PACIFIC RUGS PTY LTD
(IN LIQUIDATION)
ACN: 069 195 955

Ground Floor
102 Adelaide Street
Brisbane
Queensland 4000
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Brisbane
Queensland 4001

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A meeting of members and creditors of the above company is to be held as follows:

Date: Thursday, 17 June 2010
Time: 11:00am
Place: Ground Floor, Grant Thornton House
102 Adelaide Street
Brisbane QLD 4000

In this regard, please find **attached** the following documents:

- Notice of Meeting.
- Form 532 (Appointment of Proxy).
- Form 535 (Formal Proof of Debt or Claim).
- Liquidator's Report to Members and Creditors.

Please note that creditors who have already lodged a Proof of Debt form are not required to lodge another unless amending their previous claim. New proxy forms are required for this meeting of creditors and members. It should be noted that where the creditor is a company, the attendee is required to hold a proxy in his/her name from the company. All proxies lodged by a company must be completed in accordance with its Constitution (i.e. under the Company's Common Seal if the Constitution so requires).

Should you have any queries, please do not hesitate to contact Mr Dean Lawrence of this office on (07) 3222 0212.

Dated this 31st day of May 2010

M G McCANN
Liquidator

Enc.

FORM 529
Corporations Act 2001 (Cwlth)

Subregulation 5.6.14A

NOTICE OF MEETING OF MEMBERS AND CREDITORS OF

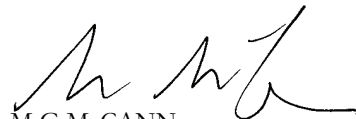
PACIFIC RUGS PTY LTD
(IN LIQUIDATION)
ACN: 069 195 955

NOTICE is hereby given that a meeting of the creditors of the above company will be held at Grant Thornton, Ground Floor, Grant Thornton House, 102 Adelaide Street, Brisbane Qld 4000 on **Thursday, 17 June 2010 at 11.00am.**

AGENDA

1. To discuss the position of the Liquidation;
2. Questions from creditors;
3. Creditors to consider passing a resolution to approve the compromise of the loan account receivable from Anthony Starr;
4. Creditors to consider, and if thought fit, pass a resolution to approve the remuneration of the Liquidator; and
5. Any other business that may be lawfully brought forward.

DATED this 31st day of May 2010



M G McCANN
Liquidator

Gran Thornton Chartered Accountants
Ground Floor
Grant Thornton House
102 Adelaide Street
BRISBANE QLD 4000
Telephone (07) 3222 0200
Facsimile (07) 3222 0446

FORM 535

Subregulation 5.6.49(2)

Corporations Act 2001 (Cwlth)

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To the Liquidator of: Pacific Rugs Pty Ltd (In Liquidation) ACN: 069 195 955:

- 1. This is to state that the company was, on 9 February 2009 and still is, justly and truly indebted to... (full name and address of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor) for ...dollars and ...cents. ABN of the Creditor:

Table with 4 columns: Date, Consideration (state how the debt arose), Amount \$ c, Remarks (include details of substantiation of payment)

- 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).

Table with 5 columns: Date, Drawer, Acceptor, Amount \$ c, Due Date

- *3. I am employed by the creditor and authorised in writing by the creditor to make this statement. 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.
*3 I am the creditor's agent authorised in writing to make this statement in writing. 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 this day of 2010

Signature
Occupation
Address

*Delete if this proof is made by the creditor personally.

FORM 532

Corporations Act 2001 (Cwlth)

ACN 069 195 955

Regulation 5.6.29

APPOINTMENT OF PROXY

(1) *I/We
of

a *Creditor / Member of Pacific Rugs Pty Ltd (In Liquidation) appoint (2)
.....or in *his / her absence
..... as *my / our proxy to vote at the
meeting of creditors of the company to be held on **Thursday, 17 June 2010 at 11:00am** or at any
adjournment of that meeting.

- Generally as *he / she determines on *my / our behalf; OR
- Specifically in accordance with the following instructions:

(3) Please complete for special proxy only.
(circle one) For Against Abstain

* I / we authorise
to represent *me / us on the Committee of Creditors should one be elected.

Dated

(4) Signature
(If a Company - Sign under Seal if required by Constitution)

Proxies should be returned to the offices of Grant Thornton, Ground Floor, Grant Thornton House, 102 Adelaide Street,
Brisbane Qld by 5.00 pm **Wednesday, 16 June 2010.**

(5) CERTIFICATE OF WITNESS (Special Cases)

I, of.....
certify that the above 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/her before *he/she attached *his/her signature or
mark to the instrument.

DATED this day of 2010.

Signature of Witness

Description

Place of Residence

* Strike out if inapplicable.

INSTRUCTIONS

- 1 Insert name and address of individual or corporation.
- 2 Appoint name of person to be appointed as proxy.
- 3 To vote in favour of either or both of the two options tick (✓) the “for” box next to the desired option. In order
to vote against either or both of the options tick (✓) the “against” box next to the desired option.
- 4 The method of affixing the common seal should be prescribed by the creditor corporation’s Constitution.
- 5 This certificate is to be completed only where the person giving the proxy is blind or incapable of writing.



Liquidators' Report to Members and Creditors Pacific Rugs Pty Limited (In Liquidation)

31 May 2010

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1 Introduction

Graham Robert Killer and I, Michael Gerard McCann were appointed Administrators of Pacific Rugs Pty Ltd (“the Company”) on 9 February 2009 and subsequently Liquidators on 19 May 2009.

I provide the following update on the progress of the liquidation since my last meeting with members and creditors which was held on 19 May 2009 and my previous Report to Creditors dated 7 May 2009.

An annual meeting of creditors and an annual general meeting of the members is jointly called for 17 June 2010 at 11.00 am AEST at the offices of Grant Thornton, Ground Floor, 102 Adelaide Street, Brisbane QLD 4000. A notice of the meeting is attached to the front of this report.

Members and creditors are directed to the Creditor Information Sheets produced by the Insolvency Practitioners Association and the Australian Securities and Investment Commission, specifically to Information Sheet 85, available for download at www.asic.gov.au/insolvencyinfosheets

The purpose of this meeting of members and creditors is to:-

- Provide member and creditors with an update on the progress of the liquidation;
- Consider any general business raised by the members and creditors;
- Consider the compromise of a loan receivable to the Company;
- Consider the remuneration of the Liquidators;
- Provide members and creditors with a description of the assets and dealings that remain to be carried out by the Liquidators in order to complete the winding up; and
- Provide members and creditors of an estimate of when the winding up is likely to be completed.

In relation to the estimated timing of finalisation of this liquidation, I advise the following: -

- The Company's secured creditor is expected to be paid in full within the next 2 - 3 weeks. This final payment will be in full settlement of the secured creditor's fixed and floating charge over the assets of the Company.
- Recovery of the Company's debtors and preferential payments is continuing.
- Subject to the quantum of recoveries (including recovery of the loan receivable from Anthony Starr to the Company) and availability of funds after the costs of the liquidation have been paid, I estimate that a dividend to ordinary unsecured creditors is likely to be paid within a period of approximately 3-4 months.
- The dividend to ordinary unsecured creditors is likely to range from 0 to 4 cents in the dollar. Should I successfully recover monies from preference payment recovery actions, this dividend estimate will increase.

Including finalisation of the above matters, and my statutory obligations as Liquidator, I anticipate that this liquidation will be finalised by no later than 30 November 2010.

2 Update on Progress of Liquidation

Wind Down of Business

Subsequent to the Company being placed into liquidation and after an unsuccessful campaign to sell the Company's business as a going concern, an orderly wind down was commenced.

On 7 August 2009, I ceased trading the business following a period of selling down the large stock holdings of the Company. At this time, employees of the company were terminated and supplier trading accounts which were established during the period of my appointment were closed. Final supplier trading accounts received for my period of trading have been paid in full.

Upon the cessation of trading, the remaining stock which consisted of carpets and mats only was relocated to the Mansfield premises. The Underwood site was closed down and the keys returned to the landlord, as was the Perth warehouse. There were no other premises.

During the wind down and cessation of trading, I minimised trading costs through: -

- Coordinating a move from the Underwood warehouse to smaller premises to reduce rental costs for the storage of remaining stock
- Closing down the Underwood operations and moving the remaining stock to the Mansfield premises
- Terminating full time employment of staff (running down notice entitlements) and re-employing selected staff on a casual basis as required in order to finalise operations

Following the cessation of trading operations, I continued to work on the collection of debtors, both pre and post appointment, as well as negotiate the bulk sale of the remaining stock and sale of plant and equipment. This is discussed in greater detail below.

Plant and Equipment

A majority of the Company's plant and equipment was sold to a party related to its director, Anthony Starr. The values obtained were above the 'market values' contained within the valuation report obtained by me upon my appointment as Administrator.

The residual plant and equipment was sold online via Grays Auctioneers. The sale of all the Company's plant and equipment netted a total amount of \$144,644. There is no further plant or equipment to be realised.

Sale of Stock

Upon the cessation of trading some six months after my appointment as Administrator, approximately \$620,000 of stock (carried in the Company's books at landed cost) remained unsold. Of this residual stock, approximately \$310,000 consisted of rug stock, whilst the balance related to mat and carpet stock. This residual stock was considerably aged, of varying quality and non-uniform in sizes.

After a lengthy and unsuccessful period of trying to sell this residual stock, I was able to negotiate a sale of the residual rug stock (landed cost value of \$308,077) to 'Rugs-a-Million' at 45 cents in the dollar (\$138,634). The terms of this bulk sale were beneficial to the company as freight and transportation costs were the responsibility of the purchaser from the vendor's warehouse.

Following the 'Rugs-a-Million' sale, and an unsuccessful attempt to sell the remaining mat and carpet stock at prices well below cost, an offer from a party related to director Anthony Starr was received to purchase the residual mat and carpet stock at cost price (\$311,787) which was accepted.

I accepted both offers to purchase the residual stock for the following reasons:-

- No other bulk or individual offers to purchase the remaining stock had been received or were likely to be received;
- The stock subject to the offers was unable to be sold during my trading of the Company's business. It was the residual stock and consequently was of varying quality and sizes which at best was slow moving and at worst was obsolete and/or damaged;
- The physical quantity of stock requiring storage was significant and the cost of holding this stock in comparison to the estimated realisable value ('ERV') was high. There were no benefit to be gained from continuing to incur expenses holding this stock;
- Grays Auctioneers had provided an ERV of between 20 to 30 cents in the dollar before freight and realisation costs, selling the stock via online auction. At best, this would have realised approximately \$186,000 before realisation and freight costs; and
- There were no freight or realisation costs to the Company involved with either of the offers. Under both offers, the purchaser was responsible for collection from the Company's premises.

Debtor Collections

I confirm that the Company's pre-appointment debtors were financed by the CBA. The Company's liability in respect of its 'debtor finance facility' at the date of my appointment was \$1,088,349.

During the administration and liquidation periods, I have been able to recover the majority of the Company's pre-appointment debtors and post appointment sales with an amount of \$3,699,627 having been realised as at 14 May 2010. To recover these debtors I have utilised the

services of the Company's bookkeeper (on an hourly rate), my solicitor and debt collector where appropriate. Significant work has been required to achieve these realisations.

From the realisations, the full balance of \$1,088,349 has now been paid to the CBA pursuant to their debtor finance facility. A further \$765,575 of debtor recoveries has been remitted to the CBA pursuant to their fixed and floating charge over the Company's assets.

I confirm that I am continuing to pursue the Company's pre and post appointment debtors which remain outstanding. The balance of these debts amounts to approximately \$80,000. Of this I estimate that \$25,000 is likely to be recovered.

Priority Creditors

On 18 December 2009, I declared and paid a first and final dividend to priority creditors (employees) at the rate of 100 cents in the dollar in the amount of \$20,609.

Secured Creditors

As outlined under the 'Debtor Collections' section (above) a total amount of \$1,855,924 has been remitted to the Company's secured creditor. The following amounts have been remitted: -

- \$1,088,349 in pre-appointment debtor realisations, being the full balance owing in respect of the 'debtor finance facility'; and
- \$765,575 of pre and post appointment asset realisations, pursuant to the secured creditor's fixed and floating charge over the Company's assets

I advise that a final balance of \$383,000 is owing to the secured creditor. On the basis that creditors approve the compromise of the director's loan account receivable (discussed in detail on the following page), I anticipate payment of this amount in full within the next few weeks.

I note that after final payment of all amounts owed to the Company's secured creditor, surplus funds may be available for distribution to ordinary unsecured creditors after payment of the costs of the liquidation.

Preference Payments

In my Report to Creditors dated 7 May 2009, payments totalling approximately \$142,000 which were made to 3 creditors were identified that may represent preference payments and be recoverable by a Liquidator.

I confirm that letters of demand have been issued to all 3 creditors which were identified. Details of the creditors and the amounts identified are set out below: -

| Creditor Name | \$ Amount |
|----------------------------------|------------------|
| C&M Customs & Forwarding Pty Ltd | 45,000 |
| Hufflett & O'Donoghue | 50,000 |
| Indian Exporters | 47,000 |
| Sub-total | 142,000 |

If I successfully recover monies from this action, this money will increase the surplus assets available for distribution to creditors.

Liquidator's Receipts and Payments

A summary of the Liquidator's receipts and payments account from the date of my appointment to 30 April 2010 is attached as **Annexure 'A'**.

At the present time, I am holding funds of approximately \$209,000.

3 Loan Account Receivable

Loan Account Receivable to the Company – Anthony Starr

At the date of my appointment, the Company's records indicated that an amount of \$460,797 was owing to it by the Company's director, Anthony Starr. A letter of demand ('demand') was issued to the director for payment of this balance.

In response to my 'demand' the Company's accountant has produced supporting documentation evidencing contributions (payments) made by the director which amount to \$125,000. These payments had not been recorded in the Company's records. I am satisfied with the evidence provided which therefore reduces the loan receivable of \$460,797 by \$125,000, down to \$335,797.

Following receipt of my 'demand' the director has submitted a 'Without Prejudice' offer to settle his loan account with the Company. The details of the offer include payment of \$270,000 in full satisfaction of this debt with payment to be made within 7 days of creditor's passing a resolution approving the compromise of this debt.

Accompanying the 'Without Prejudice Offer' were details of journal entries not processed in the company's records prior to my appointment. The effect of these journal entries, if posted, reduces the loan receivable

by a further \$76,500. Summary details of the unposted journal entries are as follows:-

- i) The transfer of an amount of \$46,500 from Rhondda Starr's beneficiary loan account to Anthony Starr's beneficiary loan account. The evidence provided was a letter from Rhondda Starr addressed to the Trustee (dated 1 July 2008). The Company's accountant has confirmed this is consistent with the prior year's treatment.
- ii) The distribution of \$30,000 (including imputation credits) to both Anthony and Rhondda Starr from Pacific Rugs Pty Ltd.

The evidence provided gives some credibility to the unposted journal entries. If posted this would have the effect of reducing the loan receivable by a further amount to \$259,297.

In view of the information set out above and the fact that additional liquidation and legal fees are likely to be incurred in pursuing the full debt of \$335,797, for relatively marginal benefit to creditors, I recommend that creditors accept the 'Without Prejudice' offer of \$270,000.

Should creditors accept the 'Without Prejudice' offer of \$270,000, creditor approval is required by formal resolution to compromise/write off this debt. This is discussed below.

Debt Compromise/Write-Off's

Section 477(2A) of the Corporations Act prohibits a Liquidator from compromising or writing off a debt of a company in liquidation where that debt's value is over \$100,000, unless court approval is obtained or a resolution is passed by the committee of creditors or at a meeting of creditors.

I propose to put forward a resolution to creditors at the forthcoming meeting requesting the compromise/write-off of the debt from Anthony Starr to the Company.

The reasons for obtaining approval for the compromise/write-off of this debt is as follows:-

1. The debtor may have a valid defence to my claim in whole or part; and
2. The offer provides a comparable net return to pursuing the higher amount through a legal recovery action.

At the meeting on 17 June 2010, creditors will be asked to consider the following resolution:-

"That the Liquidator be authorised to compromise the Loan Receivable from Anthony Starr from the amount of \$460,797 to \$270,000"

4 Estimated Outcome Statement

I have prepared the analysis opposite to provide the members and creditors with an estimate of the returns available to ordinary unsecured creditors, as at 30 April 2010.

You will notice that a return 100 cents in the dollar is expected to be paid to the Company's secured creditor under both 'optimistic' and 'pessimistic' scenarios. In this regard, an amount of \$1,855,924 has been paid to date to the Company's secured creditor from realisation of the Company's assets. Of this amount, \$1,088,349 was paid to the Company's secured creditor subject to their debtor finance facility. The balance of \$767,575 was paid pursuant to their fixed and floating charge. As at 19 May 2010, the amount owed to the Company's secured creditor was \$382,968. I anticipate the payment of this amount within the next few weeks.

After this final payment, any additional funds remaining may be available for distribution to ordinary unsecured creditors after payment of the expenses of the liquidation.

You will notice that the return to unsecured creditors is expected to range between 0 and 4 cents in the dollar. The realisation scenarios may alter depending on the quantum of debtors collected, preference

payment recoveries as well as any additional claims received from ordinary unsecured creditors.

| Pacific Rugs Pty Ltd (In Liquidation) | Notes | Optimistic Scenario (\$) | Pessimistic Scenario (\$) |
|--|-------|--------------------------|---------------------------|
| Cash at Bank as at 30 April 2010 | | 209,489 | 209,489 |
| Debtor Realisations | | 25,000 | 16,000 |
| ADRT Dividend | | 42,674 | 0 |
| Loan Receivable from A J Starr | 1 | 270,000 | 270,000 |
| Preference Payment Recoveries | 2 | Unknown | Unknown |
| Costs to Complete | | (9,295) | (9,295) |
| Total Assets Available | | 537,868 | 486,194 |
| Liquidators's Fees and Disbursements (excl. GST) | | | |
| Liquidators' Remuneration (additional fees) - 3 September 2009 to 14 May 2010 | 3 | 70,000 | 70,000 |
| Liquidators' Remuneration (additional fees) - 15 May 2010 to completion | 3 | 30,000 | 30,000 |
| Liquidators' Outlays (estimated) | | 3,000 | 3,000 |
| Total Costs | | 103,000 | 103,000 |
| Assets Available for Distribution to Creditors | | 434,868 | 383,194 |
| Total Secured Creditor Claims | | 382,968 | 382,968 |
| Estimated Return to Secured Creditors | | 100% | 100% |
| Assets Available for Distribution to Unsecured Creditors | | 51,900 | 226 |
| Total Unsecured Claims | 4 | 1,386,153 | 1,486,153 |
| Surplus/(Shortfall) | | (1,334,253) | (1,485,927) |
| Estimated Return to Unsecured Creditors | | 4% | 0% |
| Notes: | | | |
| 1 - Resolution to be passed by creditors | | | |
| 2 - No estimate of recoveries from preference payments has been provided | | | |
| 3 - Additional fees are subject to creditor approval | | | |
| 4 - Pessimistic Scenario includes provision for Proof's of Debt yet to be lodged | | | |

The estimated return to ordinary unsecured creditors has reduced since my last report to creditors due to the following reasons: -

- Inability to sell all of the Company's stock at or above cost price;
- Inability to recover all pre-appointment debtors;
- Additional professional time incurred plus holding costs, necessary to realise the Company's stock and debtors; and
- Increase in unsecured creditor claims.

Estimated Timing of Payment of Dividend to Ordinary Unsecured Creditors

Given the tasks required to finalise the liquidation (refer 'Liquidators' Future Tasks and Finalisation' on the following page) and subject to the availability of funds, I estimate that payment of a dividend to ordinary unsecured creditors is likely to be made within approximately 3-4 months of creditors passing a formal resolution to compromise the loan receivable from Anthony Starr at the forthcoming creditors meeting.

It is noted that payment to ordinary unsecured creditors will only be made after the secured creditor is paid in full and the recovery of debtors and preference payments are finalised.

If you have not already done so, I request that creditors complete and lodge a Form 535 Formal Proof of Debt ('POD'). Please note that creditors who have already lodged a Proof of Debt form are not required to lodge another unless amending their previous claim. A copy of this form is attached to the front of this report.

5 Remuneration

Prior Remuneration Approval and Remuneration Drawn

At the meeting of members and creditors held on 19 May 2009, the creditors approved the remuneration for the Liquidators of \$150,000 (excl GST).

The time required to administer the liquidation has exceeded this interim amount and as such, I will be seeking further approval of remuneration at the members and creditors meeting to be held on 17 June 2010.

Set out below is a summary of the fees incurred up to 14 May 2010 and the estimated fee approval required from creditors to finalise the liquidation:-

| Pacific Rugs Pty Ltd (In Liquidation) | VA Fees (exc. GST) \$ | CVL Fees (exc. GST) \$ | Total VA and CVL Fees (exc. GST) \$ |
|---|-----------------------------|---------------------------|---|
| Remuneration previously approved by creditors | (296,000) | (150,000) | (446,000) |
| Fees incurred up to 14 May 2010 | 291,105 | 272,712 | 563,817 |
| Less: adjustment | - | (52,712) | (52,712) |
| Remuneration drawn (up to creditor approval) | (291,105) | (150,000) | (441,105) |
| Additional fees incurred (creditor approval required) | - | (70,000) | (70,000) |
| Estimated future costs to complete (creditor approval required) | - | (30,000) | (30,000) |
| Additional Remuneration Approval Sought | - | (100,000) | (100,000) |
| Total Remuneration Approval (to be drawn subject to availability of funds) | (291,105) | (250,000) | (541,105) |

Grant Thornton Recovery and Reorganisation Charge Rates

The Grant Thornton Recovery & Reorganisation Charge Out Rates for the Queensland office are attached to this report as **Annexure B**.

Since the last creditor approval was obtained, the Grant Thornton Recovery & Reorganisation Charge Out Rates for the Queensland office were increased, the latest one on 1 July 2009.

Liquidators' Future Tasks and Finalisation

In seeking remuneration approval from creditors for the period 15 May 2010 onwards to completion of the liquidation, the following tasks will be performed subject to creditor approval:-

- Finalise collection of pre appointment debtors including instructing my lawyer (if required) to commence recovery proceedings ;
- Implement recovery action relating to unfair preference payments;
- Remit the final balance of funds owing to the secured creditor;
- Declare a dividend to ordinary unsecured creditors (subject to funds being available); and
- Finalise statutory obligations.

Liquidators' Remuneration

The Liquidators' remuneration incurred for the period 19 May 2009 up to 14 May 2010 totals \$272,712 (excluding GST and disbursements) and has exceeded my previous fee approval limit of \$150,000 (excluding GST and disbursements) by \$122,712. I have adjusted the remuneration incurred of \$272,712, downwards by \$52,712 for the benefit of creditors.

Accordingly I will be seeking creditors' approval to increase the Liquidators' remuneration previously approved at the meeting of creditors held on 19 May 2009 to \$220,000 at the forthcoming members and creditors meeting.

I will also be seeking remuneration approval of \$30,000 (excluding GST and disbursements) for the period 15 May 2010 until the finalisation of the liquidation. This remuneration is to be calculated with reference to both the current and future hourly rates of Grant Thornton Recovery and Reorganisation Services. In seeking remuneration approval for work yet to be completed, I undertake to not increase charge rates in excess of 10% of the current charge rates without seeking the approval of the creditors or by application to the court.

It should be noted that the amounts payable for remuneration are subject to sufficient funds being available.

At the meeting to be held on 17 June 2010 creditors will be asked to consider and approve the following resolutions:-

"That the remuneration of the Liquidators, their partners and staff for work carried out in relation to the Liquidation of Pacific Rugs Pty Ltd be increased from the limit of \$150,000 (plus Goods and Services Tax) set at the meeting of creditors held on 19 May 2009 to \$220,000 (plus Goods and Services Tax), and may be drawn to the extent of available funds."

"That the remuneration of the Liquidators, their partners and staff for work carried out in relation to the Liquidation of Pacific Rugs Pty Ltd for the period 15 May 2010 until the completion of the Liquidation be hereby calculated by reference to the current and future hourly rates of Grant Thornton-Recovery and Reorganisation Services (plus Goods and Services Tax). Such future hourly rates are not to exceed 10% of the current charge rates without seeking the approval of the creditors or the court. Remuneration is to be capped at \$30,000 (plus Goods and Services Tax), and should be drawn to the extent of available funds."

6 Meeting of Members and Creditors

Meeting of Members and Creditors

In accordance with Corporations Regulations, this report includes a formal notice convening a meeting of members and creditors for the Company at Grant Thornton, Ground Floor, Grant Thornton House, 102 Adelaide Street, Brisbane Qld 4000 on **Thursday 17 June 2010 at 11.00am**. A notice of the meeting is attached to the front of this report.

Please find enclosed the following documents:

- Notice of Meeting;
- Form 532 (Appointment of Proxy); and
- Form 535 (Formal Proof of Debt).

Please note that creditors who have already lodged a Proof of Debt form are not required to lodge another unless amending their previous claim. It should be noted that where the creditor is a company, the attendee is required to hold a proxy in his/her name from the company. All proxies lodged by a company must be completed in accordance with its Constitution (i.e. under the Company's Common Seal if the Constitution so requires).

If you require further information, please contact Rodney Miller of this office on (07) 3222 0212.

Yours faithfully



M G McCANN
Liquidator

Annexure A

Summary of Receipts and Payments

Pacific Rugs Pty Ltd (In Liquidation)
Receipts & Payments
30 April 2010

| | |
|-------------------------------------|--------------------|
| | \$ |
| Other Current Assets | 3,034 |
| Pre-appointment Debtor Realisations | 1,075,938 |
| Sales | 2,623,689 |
| Sales - Plant & Equipment | 144,644 |
| Total Receipts | 3,847,305 |
| Advertising | (2,415) |
| Agent's Fees | (20) |
| Appointee Costs | (29,332) |
| Appointee Fees | (485,215) |
| Bank Charges | (3,311) |
| Causal Labour | (945) |
| Cleaning | (594) |
| Collection Agency | (7,193) |
| Commission | (92,312) |
| Computer Expenses | (10,762) |
| Container Detention | (4,450) |
| COGS | (108,315) |
| Customer & Duty | (19,586) |
| Discounts | (27,714) |
| Employee Dividend | (20,610) |
| Freight Inwards | (10,068) |
| Freight Outwards | (131,411) |
| Fuel & Oil | (190) |
| GST Paid | (201,578) |
| Hire & Leasing | (25,560) |
| Insurance | (25,909) |
| Legal Fees | (37,577) |
| Management Fees | (502) |
| Motor Vehicle Expenses | (3,986) |
| Pallets | (220) |
| Payroll Services | (1,052) |
| Postage | (1,517) |
| Printing & Stationery | (5,560) |
| Professional Services | (5,786) |
| Rebate | (50,646) |
| Rent & Rates | (103,426) |
| Repairs & Maintenance | (710) |
| Secured Creditor Dividend | (1,855,924) |
| Security | (4,712) |
| Staff Allowance | (1,025) |
| Staff Amenities | (618) |
| Sundry Expenses | (3,169) |
| Superannuation | (22,596) |
| Telephone & Fax | (18,250) |
| Utilities | (7,288) |
| Valuation | (1,815) |
| Wages & Salaries | (303,947) |
| Total Payments | (3,637,816) |
| Reconciled Cash at Bank | 209,489 |

Annexure B



Charge Out Rates

**Grant Thornton
Specialist Advisory Services**

Charge Rates

| Staff Classification | Rate Per Hour (QLD) from 1/7/09* |
|-----------------------------|---|
| Partner/Director/Appointee | \$485 |
| Senior Manager | \$410 |
| Manager 1 | \$375 |
| Manager 2 | \$345 |
| Supervisor/Client Manager | \$320 |
| Senior Accountant | \$295 |
| Accountant 1 | \$240 |
| Accountant 2 | \$225 |
| Graduate | \$195 |
| Secretary | \$150 |
| EDP | \$150 |
| Under Graduate | \$165 |

* Rates are exclusive of GST

Annexure C



Remuneration Reports

Pacific Rugs Pty Ltd (In Liquidation)

Remuneration Report - Description of Work Completed (Liquidation)

| | | | |
|----------------------|--|-------------------|-----------------|
| Company: | Pacific Rugs Pty Ltd (In Liquidation) | Period | |
| | | From: 19 May 2009 | To: 14 May 2010 |
| Practitioner: | Michael McCann | Firm: | Grant Thornton |
| Administration Type: | Creditors Voluntary Liquidation | | |

| Task Area | General Description | Includes |
|---|-----------------------------|--|
| Assets 236.4 Hours \$67,033 | Plant and Equipment | <ul style="list-style-type: none"> • Liaising with valuers, auctioneers and interested parties • Reviewing asset listings |
| | Debtors | <ul style="list-style-type: none"> • Correspondence with debtors • Reviewing and assessing debtors ledgers • Liaising with debt collectors and solicitors • Write off non-recoverable debtors |
| | Stock | <ul style="list-style-type: none"> • Conducting stock takes • Reviewing stock values • Liaising with purchasers |
| | Leasing | <ul style="list-style-type: none"> • Reviewing leasing documents • Liaising with owners/lessors • Tasks associated with disclaiming leases |
| Creditors 210.1 Hours \$62,381 | Creditor Enquiries | <ul style="list-style-type: none"> • Receive and follow up creditor enquiries via telephone • Maintaining creditor enquiry register • Review and prepare correspondence to creditors and their representatives via facsimile, email and post |
| | Creditor Reports | <ul style="list-style-type: none"> • Preparing and distributing May 2010 report to creditors |
| | Dealing with Proofs of Debt | <ul style="list-style-type: none"> • Receipting and filing POD's when not related to a dividend • Corresponding with ATO regarding POD's when not related to a dividend |
| | Secured Creditor Reporting | <ul style="list-style-type: none"> • Preparing reports to secured creditor • Responding to secured creditor's queries |
| | Retention of Title Claims | <ul style="list-style-type: none"> • Receive initial notification of creditor's intention to claim • Provision of retention of title claim form to creditor • Receive completed retention of title claim form • Maintain retention of title claim • Adjudicate retention of title claim • Forward correspondence to claimant notifying outcome of adjudication |
| Employees 78.7 Hours \$19,675 | Calculation of entitlements | <ul style="list-style-type: none"> • Reviewing employee files and company's books and records • Reconciling superannuation amounts • Reviewing awards |
| | Employee Dividend | <ul style="list-style-type: none"> • Correspondence with employees regarding dividend • Correspondence with ATO regarding SGC proof of debt • Calculating dividend rate • Preparing dividend file • Advertising dividend notice • Preparing distribution • Receipting POD's • Adjudicating POD's • Ensuring PAYG is remitted to ATO |
| | Employees Enquiry | <ul style="list-style-type: none"> • Receive and follow up employee enquiries via telephone • Maintain employee enquiry register • Review and prepare correspondence to employees and their representatives via facsimile, email and post • Receive and prepare correspondence in response to employees objections to leave entitlements |
| | Other Employee Issues | <ul style="list-style-type: none"> • Correspondence with Child Support |

| | | |
|---|--|--|
| Trade On 280.2 Hours \$74,668 | Trade On Management | <ul style="list-style-type: none"> • Liaising with suppliers • Liaising with management and staff • Attendance on site • Authorising purchase orders • Maintaining purchase order registry • Preparing and authorising receipt vouchers • Preparing and authorising payment vouchers • Liaising with superannuation funds regarding contributions, termination of employees employment |
| | Processing Receipts and Payments | <ul style="list-style-type: none"> • Entering receipt and payments into accounting system |
| | Budgeting and Financial Reporting | <ul style="list-style-type: none"> • Reviewing company's budgets and financial statements • Preparing budgets • Preparing weekly financial reports • Finalising trading profit or loss • Meetings to discuss trading position |
| Administration 235.2 Hours \$48,955 | Correspondence | |
| | Bank Account Administration | <ul style="list-style-type: none"> • Preparing correspondence, opening and closing accounts • Requesting bank statements • Bank account reconciliations • Correspondence with bank regarding specific transfers |
| | Document Maintenance/File Review/Checklist | <ul style="list-style-type: none"> • First month, then six monthly administration review • Filing of documents • File Reviews • Updating checklists |
| | ASIC Form 524 and Other Forms | <ul style="list-style-type: none"> • Preparing and lodging ASIC forms including 505, 524, 911 etc • Correspondence with ASIC regarding statutory forms |
| | Bank account administration | <ul style="list-style-type: none"> • Bank account reconciliations |
| | ATO and Other Statutory Reporting | <ul style="list-style-type: none"> • Notification of appointment • Preparing BAS' • Completing group certificates |
| | Planning/Reviewing | <ul style="list-style-type: none"> • Discussions regarding status of administration |
| | Books and Records/Storage | <ul style="list-style-type: none"> • Dealing with records in storage • Sending job files to storage |
| Total 1,040.60 Hours \$272,712 | | |

Pacific Rugs Pty Ltd

(In Liquidation)

Calculation of Remuneration

For the Period 19 May 2009 until 14 May 2010

| Employee | Position | Average Hourly Rate (ex GST) | Total Actual Hours | Total | Task Area | | | | | | | | | | | | | |
|--------------------------|-------------------|------------------------------|--------------------|----------------|-----------|-------------|-----------|-------------|-----------|-------------|----------|-------------|---------------|----|----------|----|----------------|-------------|
| | | | | | Assets | | Creditors | | Employees | | Trade On | | Investigation | | Dividend | | Administration | |
| | | | | | Hours | \$ | Hours | \$ | Hours | \$ | Hours | \$ | Hours | \$ | Hours | \$ | Hours | \$ |
| Michael McCann | Liquidator | \$481.76 | 21.9 | \$10,550.50 | 8.8 | \$4,250.00 | 3.9 | \$1,872.50 | 1.3 | \$630.50 | 4.8 | \$2,298.00 | - | - | - | - | 3.1 | \$1,499.50 |
| Graham Killer | Liquidator | \$485.00 | 1.0 | \$485.00 | - | - | - | - | - | - | - | - | - | - | - | - | 1.0 | \$485.00 |
| Michelle Gorrie | Senior Manager | \$395.00 | 0.1 | \$39.50 | - | - | - | - | - | - | 0.1 | \$39.50 | - | - | - | - | - | - |
| Rodney Miller | Manager | \$374.06 | 157.1 | \$58,764.50 | 39.6 | \$14,850.00 | 55.1 | \$20,519.50 | 7.0 | \$2,625.00 | 38.9 | \$14,587.50 | - | - | - | - | 16.5 | \$6,182.50 |
| Olivia McDermid | Supervisor | \$301.64 | 98.6 | \$29,742.00 | 8.8 | \$2,650.00 | 13.2 | \$3,984.00 | 3.5 | \$1,050.00 | 55.6 | \$16,754.00 | - | - | - | - | 17.5 | \$5,304.00 |
| Rod Taylor | Supervisor | \$319.25 | 13.4 | \$4,278.00 | 3.5 | \$1,110.00 | - | - | - | - | - | - | - | - | - | - | 9.9 | \$3,168.00 |
| Dean Lawrence | Senior Accountant | \$293.17 | 233.0 | \$68,307.50 | 94.4 | \$27,643.00 | 89.8 | \$26,491.00 | 17.1 | \$5,044.50 | 20.1 | \$5,749.50 | - | - | - | - | 11.6 | \$3,379.50 |
| Chris Alexander | Senior Accountant | \$270.00 | 1.3 | \$351.00 | - | - | - | - | 1.3 | \$351.00 | - | - | - | - | - | - | - | - |
| Caitlin Bennett | Accountant | \$195.00 | 0.9 | \$175.50 | 0.9 | \$175.50 | - | - | - | - | - | - | - | - | - | - | - | - |
| Chris Lau | Accountant | \$209.04 | 285.4 | \$65,581.00 | 61.9 | \$13,587.00 | 33.5 | \$7,225.00 | 29.2 | \$6,986.00 | 131.6 | \$30,825.00 | - | - | - | - | 29.2 | \$6,958.00 |
| Michelle Brkic | Graduate | \$120.00 | 1.3 | \$156.00 | 1.3 | \$156.00 | - | - | - | - | - | - | - | - | - | - | - | - |
| Dimity Dwyer | Undergraduate | \$162.71 | 22.9 | \$3,726.00 | 2.5 | \$406.50 | 6.6 | \$1,089.00 | 6.2 | \$1,023.00 | 6.4 | \$1,009.50 | - | - | - | - | 1.2 | \$198.00 |
| Rene Nothnagel | Administration | \$150.00 | 31.6 | \$4,740.00 | 2.2 | \$330.00 | 1.4 | \$210.00 | 0.9 | \$135.00 | 0.6 | \$90.00 | - | - | - | - | 26.5 | \$3,975.00 |
| Pippa Hocken | Administration | \$150.00 | 1.0 | \$150.00 | - | - | - | - | - | - | - | - | - | - | - | - | 1.0 | \$150.00 |
| Carolyn Kratz | Administration | \$150.00 | 6.9 | \$1,035.00 | 1.0 | \$150.00 | - | - | 1.3 | \$195.00 | - | - | - | - | - | - | 4.6 | \$690.00 |
| Tanya Brown | Administration | \$150.00 | 164.2 | \$24,630.00 | 11.5 | \$1,725.00 | 6.6 | \$990.00 | 10.9 | \$1,635.00 | 22.1 | \$3,315.00 | - | - | - | - | 113.1 | \$16,965.00 |
| SUB-TOTAL | | | 1,040.6 | \$272,711.50 | 236.4 | \$67,033.00 | 210.1 | \$62,381.00 | 78.7 | \$19,675.00 | 280.2 | \$74,668.00 | - | - | - | - | 235.2 | \$48,954.50 |
| LESS: ADJUSTMENT | | | | (\$52,711.50) | | | | | | | | | | | | | | |
| LESS: FEES DRAWN TO DATE | | | | (\$150,000.00) | | | | | | | | | | | | | | |
| TOTAL | | | | \$70,000.00 | | | | | | | | | | | | | | |
| GST | | | | \$7,000.00 | | | | | | | | | | | | | | |
| Total (Including GST) | | | | \$77,000.00 | | | | | | | | | | | | | | |
| Average Hourly Rate | | | | \$262.07 | \$283.56 | \$296.91 | \$250.00 | \$266.48 | - | - | \$208.14 | | | | | | | |

Pacific Rugs Pty Ltd (In Liquidation)

Remuneration Report - Description of Work To Be Completed (Liquidation)

| | | |
|----------------------|--|----------------------------------|
| Company: | Pacific Rugs Pty Ltd (In Liquidation) | Period |
| | | From: 15 May 2010 To: Completion |
| Practitioner: | Michael McCann | Firm: Grant Thornton |
| Administration Type: | Creditors Voluntary Liquidation | |

| Task Area | General Description | Includes |
|---|-----------------------------|---|
| Assets 26 Hours \$8,530.00 | Debtors | <ul style="list-style-type: none"> Reviewing and assessing debtors ledgers Liaising with debt collector All tasks associated with realising debtors |
| Creditors 23 Hours \$6,300.00 | Creditor Enquiries | <ul style="list-style-type: none"> Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post |
| | Dealing with proofs of debt | <ul style="list-style-type: none"> Receipting and filing Proofs of Debt (POD) from creditors |
| | Meeting of Creditors | <ul style="list-style-type: none"> Preparation meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to Prepare and lodge minutes of meetings with ASIC Respond to stakeholder queries and questions |
| Dividend 34 Hours \$11,370.00 | Processing Proofs of Debt | <ul style="list-style-type: none"> Preparation of correspondence to potential creditors inviting lodgement of POD Receipt of PODs Maintain POD register Adjudicating PODs Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication |
| | Dividend Procedures | <ul style="list-style-type: none"> Prepare and maintain checklists for the conduct of the administration Obtain clearance from ATO to allow distribution of company's assets Preparation of dividend calculation Preparation of distribution Preparation of dividend file Preparation of payment vouchers to pay dividend Preparation of correspondence to creditors enclosing payment of dividend |
| Administration 19 Hours \$4,215.00 | General Correspondence | |
| | File review/checklist | <ul style="list-style-type: none"> Prepare and maintain checklists for the conduct of the administration Regular summary review of job status to ensure quality control |
| | Bank account administration | <ul style="list-style-type: none"> Bank account reconciliations Settle administration accounts |
| | ASIC forms | <ul style="list-style-type: none"> Advertising of meetings Preparing and lodging minutes of the creditors meetings with ASIC Preparing and lodging ASIC forms including 524, 911 etc Correspondence with ASIC regarding statutory forms |
| | ATO | <ul style="list-style-type: none"> Notification of ceasing to act Maintaining documents and records to enable compliance with GST obligations |
| | Finalisation | <ul style="list-style-type: none"> Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists Finalising WIP |
| Total 102 Hours \$30,415 | | |

Pacific Rugs Pty Ltd

(In Liquidation)

Calculation of Remuneration

For the Period from 15 May 2010 to completion

| Employee | Position | Average Hourly Rate (ex GST) | Total Actual Hours | Total | Task Area | | | | | | | | | | | | | |
|-----------------------|-------------------|------------------------------|--------------------|-------------|-----------|------------|-----------|------------|-----------|----|----------|----|---------------|----|----------|-------------|----------------|------------|
| | | | | | Assets | | Creditors | | Employees | | Trade On | | Investigation | | Dividend | | Administration | |
| | | | | | Hours | \$ | Hours | \$ | Hours | \$ | Hours | \$ | Hours | \$ | Hours | \$ | Hours | \$ |
| Michael McCann | Liquidator | \$485.00 | 5.0 | 2,425.0 | 2.0 | \$970.00 | - | - | - | - | - | - | - | - | 2.0 | \$970.00 | 1.0 | \$485.00 |
| Rodney Miller | Manager | \$375.00 | 23.0 | 8,625.0 | 6.0 | \$2,250.00 | 3.0 | \$1,125.00 | - | - | - | - | - | - | 12.0 | \$4,500.00 | 2.0 | \$750.00 |
| Dean Lawrence | Senior Accountant | \$295.00 | 57.0 | 16,815.0 | 18.0 | \$5,310.00 | 15.0 | \$4,425.00 | - | - | - | - | - | - | 20.0 | \$5,900.00 | 4.0 | \$1,180.00 |
| Tanya Brown | Administration | \$150.00 | 17.0 | 2,550.0 | - | - | 5.0 | \$750.00 | - | - | - | - | - | - | - | - | 12.0 | \$1,800.00 |
| TOTAL | | | 102.0 | \$30,415.00 | 26.0 | \$8,530.00 | 23.0 | \$6,300.00 | - | - | - | - | - | - | 34.0 | \$11,370.00 | 19.0 | \$4,215.00 |
| GST | | | | \$3,041.50 | | | | | | | | | | | | | | |
| Total (Including GST) | | | | \$33,456.50 | | | | | | | | | | | | | | |
| Average Hourly Rate | | | | \$298.19 | | \$328.08 | | \$273.91 | | - | | - | | - | | \$334.41 | | \$221.84 |