

Circular to Creditors

Ajays Books & Bits Pty Limited (In Liquidation) (“the Company”)

A.C.N. 104 711 597

Formerly trading as a franchise member of Angus & Robertson at Colonnades, Victor Harbor, Mt Barker, Murray Bridge, Burnside Village and Broken Hill.

We refer to our appointment as Liquidators of the Company on 18 May 2010 after being appointed Voluntary Administrators on 13 April 2010 and to our previous reports to creditors.

Please be advised that an annual meeting of creditors is being called pursuant to the requirements of Section 508(1) (b) of the Corporations Act 2001. The purpose of this meeting is to lay before the meeting an account of the liquidator's acts and dealings during the preceding 12 months.

A detailed report will be provided to creditors at the meeting, but in brief the following matters have been achieved in the preceding 12 months:

- The Company has been transitioned from voluntary administration to liquidation;
- Plant and equipment and debtors have been realised;
- Employee entitlements have been paid utilising the GEERS scheme;
- Investigations into the failure of the Company have been finalised;
- Our report on the failure of the Company has been lodged with ASIC; and
- We have commenced recovery of Antecedent Transactions that have been identified.

The following matters are still to be finalised:

- Completion of two substantial Antecedent Transaction recoveries (book value \$185,000); and
- If successful, the distribution of surpluses to creditors

Attached in **Annexure A** to this report is a formal notice of the meeting, a Proof of Debt and a Proxy form.

Creditors wishing to attend this meeting and vote should make sure they complete and return to our office the Proof of Debt. Creditors not wishing to attend the meeting or

company creditors whose directors, agents or employees are attending the meeting should ensure that the attached proxy form is completed and returned to us. Both documents should be returned 24 hours prior to the holding of the meeting.

A copy of the receipts and payments for the liquidation for the period from 18 May 2010 to 10 August 2011 is attached in **Annexure B** to this report.

At the meeting, creditors will be asked to approve the payment of the liquidators' remuneration for the period from 1 September 2010 to 31 July 2011 in the sum of \$26,993 (GST exclusive). In accordance with the IPA Code of Professional Practice and the Act we enclose at **Annexure C** our detailed remuneration report summarising the work performed in the liquidation for this period.

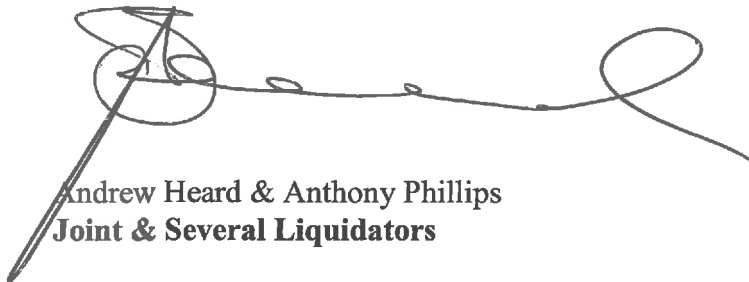
There will be further costs incurred in completing the Antecedent Transaction recoveries referred to above (the quantum will vary substantially depending on whether the claims are contested or not) and we will not seek a prospective fee approval at this stage.

In accordance with the IPA Code of Professional Practice, a Liquidator is to disclose relevant details of all relationships and indemnities with parties that may impact on his independence.

We considered the question of independence at the time of our appointment as Voluntary Administrators and we prepared and distributed our Declaration of Independence, Relevant Relationships and Indemnities with the notice of the first meeting of creditors. This declaration was tabled again at all subsequent meetings of creditors. There has been no event or change that would warrant any amendment or update to that disclosure.

Creditors with any queries with respect to this matter should feel free to contact the writer.

DATED this 12th day of August 2011



Andrew Heard & Anthony Phillips
Joint & Several Liquidators

Encl.

Contact: Andrew Heard
Email: andrew@heardphillips.com.au

Annexure A

FORM 529

Corporations Act
Subregulation 5.6.12(6)

NOTICE OF MEETING

Ajays Books & Bits Pty Limited (In Liquidation)
A.C.N. 104 711 597

NOTICE IS GIVEN that a meeting of the creditors of Ajays Books & Bits Pty Limited will be held at the Boardroom of Heard Phillips, Level 5, 26 Flinders Street, Adelaide on 26 August 2011 at 11.00 am.

A G E N D A

1. To consider a report from the Liquidators.
2. To approve the remuneration of the Liquidators.
3. To consider any other business that may be lawfully brought forward.

DATED this 12th day of August 2011



Andrew Heard and Anthony Phillips
Joint & Several Liquidators

Heard Phillips, Chartered Accountants
Phone (08) 8212 3433
www.heardphillips.com.au

*Corporations Act 2001***FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)**

To the Liquidators of Ajays Books & Bits Pty Limited

1. This is to state that the company was on 13 April 2010 and still is, justly and truly indebted to ¹ _____ for _____ \$(_____)

Particulars of the debt are:

DATE	CONSIDERATION	AMOUNT (include details of substantiating vouchers)	REMARKS
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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:

If any bills or other negotiable securities are held show them in the following schedule:

DATE	DRAWER	ACCEPTOR	AMOUNT \$	DUE
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*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.

OR

*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:

Signature:

Occupation:

Address:

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

¹ Insert name and address of creditor

Corporations Act 2001

Ajays Books & Bits Pty Limited (In Liquidation)
A.C.N. 104 711 597

APPOINTMENT OF PROXY

I/We

of

a creditor of Ajays Books & Bits Pty Limited appoint or in his or her absence

as my/our general/special proxy to vote at the meeting of creditors to be held on 26 August 2011, or at any adjournment of that meeting .

Special Proxy Instructions

Should you desire to direct your proxy how to vote on any resolution please insert [x] in the appropriate box below. In the absence of a direction the proxy may vote at the proxy's discretion.

"THAT the Liquidators' remuneration for the period 1 September 2010 to 31 July 2011 be approved in the sum of \$26,993 (GST Exclusive) be approved for payment."

For Against Abstain
[] [] []

DATED this day of 2011

.....

Signature

CERTIFICATE OF WITNESS

(This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the member must not be witnessed by the person nominated as proxy).

I of

certify that the above instrument 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 or her before he or she signed or marked the instrument.

DATED this day of 2011

Signature of Witness

Description

Place of Residence

Annexure B

Receipts and Payments Summary By Account
Ajays Books & Bits Pty Limited (In Liquidation)

All CVL Bank, Cash and Cash Investment Accounts: All Dates (Gross Method)

Type	Account	Total
TRADING RECEIPTS		
	Incorrect Money Banked	1,778.81
	Refund of Incorrect Money Banked	(1,763.52)
	Intermode Refund	144.33
	Payroll Tax Refund	627.83
	Sales	2,054.88
		<u>2,842.33</u>
TRADING PAYMENTS		
	Bank Charges	(35.00)
	Change in Proprietors of a Business Name	(62.50)
	Rent & Rates	(1,780.00)
		<u>(1,877.50)</u>
	Net Trading Receipts and Payments	<u>964.83</u>
NON-TRADING RECEIPTS		
	Accounts Receivable (Pre-Appointment)	4,103.65
	Transfer from Administrators' Bank Account	17,689.31
	GEERS Liability	21,695.90
	GST Control: GST Inputs (Outputs)	6,479.32
	Interest Income	90.24
	Plant and Equipment	34,060.00
		<u>84,118.42</u>
NON-TRADING PAYMENTS		
	Appointee Costs: Courier	(8.96)
	Appointee Costs: Photocopying	(4,454.45)
	Appointee Costs: Postage	(292.00)
	Appointee Costs: Search Fees	(173.80)
	Appointee Costs: Stationary	(35.00)
	Appointee Costs: Telephone & Fax	(28.05)
	Appointee Fees: Administrators Fees	(8,640.50)
	Appointee Fees: Liquidator's Fees	(13,893.00)
	Auctioneer's Cartage	(15,585.17)
	Bank Charges	(146.09)
	GEERS Scheme Payment	(18,426.43)
	GST Control: GST Inputs (Outputs)	(4,535.00)
	Insurance	(4,445.68)
	PAYG Control (Non-Trading): PAYG Paid (Received)	(3,269.00)
	Security Destruction Shredding Bins	(236.50)
		<u>(74,169.63)</u>
	Net Non-Trading Receipts and Payments	<u>9,948.79</u>
	Net Receipts (Payments)	<u><u>10,913.62</u></u>

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Annexure C

Remuneration Report

Ajays Books & Bits Pty Limited (In Liquidation) A.C.N. 104 711 597

In compliance with the Insolvency Practitioners Association of Australia Code of Professional Practice and the requirements of the Corporations Act 2001, we set out below our remuneration report for the period from 1 September 2010 to 31 July 2011.

This report is set out as follows:-

- Description of Work
- Calculation of Remuneration
- Report on Progress of the Administration (*Refer to attached report to creditors*)
- General Supporting Information

Description of Work

The tasks which external administrators undertake can be broadly divided into seven (7) categories. These are:-

- Assets
- Creditors
- Employees
- Trade On
- Investigation
- Dividend
- Administration

Information on the seven categories is summarised below to enable creditors to understand the type and purpose of work being undertaken

Company	Ajays Books & Bits Pty Limited	Period From	1 September 2010	To	31 July 2011
Practitioner	Andrew Heard & Anthony Phillips	Firm	Heard Phillips		
Administration Type	Creditors' Voluntary Liquidation				
Task Area	General Description	Includes			
Assets [\$203]	Debtors	<ul style="list-style-type: none"> • Discussion with debtors • Dealings with name change and account query re Murray Bridge shop 			
Creditors [\$1,105]	Secured creditors	<ul style="list-style-type: none"> • Contacting secured creditors and establishing the extent of claims • Reviewing security documents • Ongoing communication with secured creditor 			
	Lease & partly secured creditors	<ul style="list-style-type: none"> • Contacting lease, finance and rental creditors and establishing the extent of claims • Reviewing legal documents and agreements • Reviewing valuation and determining appropriate realisation strategy • Issue disclaimer notices as appropriate • Ongoing communication with lease, finance and rental creditors 			
	Retention of Title creditors	<ul style="list-style-type: none"> • Receiving claims from creditors • Seek supporting documentation and reviewing claim entitlements • Review inventory records • Attend stock takes as necessary • Determining appropriate realisation strategies 			
	General creditor enquiries	<ul style="list-style-type: none"> • Receive and respond to calls and communications from creditors • Maintain a register of creditor claims and contact details • File all creditor claims and correspondence in alphabetic order 			

Employees [S 1,400]	Employees enquiry	<ul style="list-style-type: none"> • Receive and follow up employee enquiries via telephone • Provision of payslips and responding to associated requests
	GEERS	<ul style="list-style-type: none"> • Working with GEERS regarding employee claims not admitted in 1st round of payments • Issuing Group certificates re GEERS payments • Further GEERS distribution
Investigation [S 20,213]	Antecedent transaction investigation	<ul style="list-style-type: none"> • Detailed investigations into creditor payments • Compile information necessary to prove insolvency • Compile information necessary to prove unfair preference payments were made • Gather all supporting evidence • Draft appropriate demand letters to recover antecedent transactions • Deal with responses received • Provide supplementary information as requested
Administration [S 4,074]	Bank account maintenance	<ul style="list-style-type: none"> • Arrangements with Bank regarding the receipt of 3rd party monies into administration account • Maintain a bank account in the name of the company in liquidation • Maintain a cashbook and receipt/voucher system that accurately and completely records all receipts and payments • Reconcile bank accounts on a monthly basis
	ATO matters	<ul style="list-style-type: none"> • Maintain records of receipts and payments as required by the Act • Prepare and lodge returns BAS with the ATO as and when required • Correspondence with the ATO regarding lodgements and processing matters
	Books & Records	<ul style="list-style-type: none"> • Take possession of all relevant company books and records • Prepare an index and receipt of all records • Store records securely and maintain and update the firm register of books and records • Arrange for the destruction of books and records as and when appropriate
	Document and file maintenance	<ul style="list-style-type: none"> • Maintain and store all files, records and documents in accordance with a structured methodology and system • Maintain signed file notes of all conversations and meetings with parties relating to the conduct of the liquidation • Arrange for the collection and return of rewards terminals and EFTPOS terminals
	Planning / Review	<ul style="list-style-type: none"> • Maintain checklists to guide the conduct of the liquidation • Sign off checklist when tasks are complete • Periodically review the progress of the liquidation and compare to desired liquidation outcomes • Periodically peer review conduct of the liquidation to ensure Quality Control is maintained
	Statutory	<ul style="list-style-type: none"> • Prepare and file accounts in the prescribed form with the ASIC

Calculation of Remuneration
Remuneration for the period 1 September 2010 to 30 June 2011

Employee	Position	\$/hour (ex GST)	Total actual hours	Total (\$)	Hours	Assets (\$)	Hours	Creditors (\$)	Hours	Employees (\$)	Hours	Investigation (\$)	Hours	Administration (\$)
Andrew Heard	Appointee	285	15.9	4,532		-	1.0	285	0.7	200	11.1	3,164	3.1	884
Anthony Phillips	Co-appointee	285	2.7	770		-	-	-	0.2	57	2.1	599	0.4	114
Mariola Korycka	Senior	170	21.0	3,570		-	-	-	-	-	21.0	3,570	-	-
Danielle Penny	Senior	170	0.2	34		-	-	-	-	-	0.2	34	-	-
Katharene Expedit	Senior	170	74.8	12,716		-	0.4	68	-	-	71.0	12,070	3.4	578
Chris Moody	Graduate Accountant	140	0.3	42		-	-	-	-	-	0.3	42	-	-
Tina King	Intermediate 2	135	22.3	3,011		176	0.5	68	8.2	1,107	1.0	135	11.3	1,526
Carla Carbone	Intermediate 2	135	1.3	176		27	-	-	-	-	0.4	54	0.7	95
Amelia Merchant	Junior	95	0.4	38		-	-	-	-	-	-	-	0.4	38
TOTAL				\$ 24,887	1.5	\$ 203	1.9	\$ 421	9.1	\$ 1,364	107.1	\$ 19,667	19.3	\$ 3,234
GST				2,489										
TOTAL (including GST)														
<i>Average hourly rate (GST Exclusive)</i>				\$ 179		\$ 135		\$ 221		\$ 150		\$ 184		\$ 168

Remuneration for the month of July 2011

Employee	Position	\$/hour (ex GST)	Total actual hours	Total (\$)	Hours	Assets (\$)	Hours	Creditors (\$)	Hours	Employees (\$)	Hours	Investigation (\$)	Hours	Administration (\$)
Andrew Heard	Appointee	300	0.5	150	-	-	-	-	0.2	-	0.3	60	0.3	90
Anthony Phillips	Co-appointee	300	0.0	-	-	-	-	-	-	-	-	-	-	-
Danielle Penny	Senior	180	0.0	-	-	-	-	-	-	-	-	-	-	-
Katharene Exposit	Senior	180	9.6	1,728	-	630	3.5	630	2.7	-	3.4	486	3.4	612
Tina King	Senior	180	1.1	198	-	54	0.3	54	0.2	36	0.6	-	0.6	108
Chris Moody	Graduate Accountant	160	0.0	-	-	-	-	-	-	-	-	-	-	-
Carla Carbone	Intermediate 2	140	0.0	-	-	-	-	-	-	-	-	-	-	-
Amelia Merchant	Junior	100	0.3	30	-	-	-	-	-	-	0.3	-	0.3	30
	TOTAL			\$ 2,106	\$ -	\$ 684	3.8	\$ 684	0.2	\$ 36	2.9	\$ 546	4.6	\$ 840
	GST			211										
	TOTAL (including GST)													
	Average hourly rate (GST Exclusive)			\$ 183		\$ NIL		\$ 180		\$ 180		\$ 188		\$ 183

Disbursements

Disbursements are divided into three types: **A**, **B1**, **B2**.

- A** disbursements are all externally provided professional services and are recovered at cost. An example of an **A** disbursement is legal fees.
- B1** disbursements are externally provided non-professional costs such as travel, accommodation and search fees. **B1** disbursements are recovered at cost.
- B2** disbursements are internally provided non-professional costs such as photocopying and document storage. **B2** disbursements are charged at cost except for photocopying, printing and telephone calls which are charged at a rate which is intended to recoup both variable and fixed costs.

Full details of disbursements chargeable in this matter are summarised below. Creditor approval for the payment of disbursements is not required, however we must account to creditors. Creditors have the right to question the incurring of the disbursements and can challenge disbursements in court.

Disbursement	Rates (GST Exclusive)	Disbursement	Rates (GST Exclusive)
Advertising	At Cost	Stationery - Folders - File Index - Archive Box	\$5.00 per folder \$4.00 per set of 1-31 or A-Z \$5.00 per box
Binding	\$1.00 per bind	Storage & Destruction of Books & Records - Storage - Destruction - Transport to/from archives & other collection costs	\$0.75 per box/month At Cost At Cost
Courier	At Cost	Postage	At Cost
Faxes	\$0.50 per page	Search Fees (Company & Property Searches)	At Cost
Photocopies	\$0.50 per page		

General Supporting Information

Summary of Receipts and Payments

A summary of the liquidators' receipts and payments made up to 10 August 2011 is attached as **Annexure "B"**.

Statement of Remuneration Claim

At the forthcoming meeting of creditors, creditors will be asked to pass the following resolution:-

Liquidators' Prospective Fees

"That the Liquidators' fees for the period from 1 September 2010 to 31 July 2011 calculated on the basis of time spent and charged at the scale of fees circulated to creditors with notice of this meeting and approved for payment in the sum of \$26,993.00 (GST exclusive)."

The following previous remuneration claims have been approved by creditors:

<u>Date</u>	<u>Remuneration approved</u>	<u>Amount (GST Exclusive)</u>
18 May 2010	Voluntary Administrators' Fees	\$40,497.00
18 May 2010	Liquidators' Fees to 31 August 2010	\$12,630.00

Queries/Information Sheets

The above information is provided to assist creditors consider the appropriateness of the remuneration claim that is being made.

Creditors should feel free to contact the Liquidators' office to seek further information concerning the remuneration claim if they so need.

The ASIC have produced a document entitled "*Information Sheet 85, Approving Fees: a guide for creditors*" that can be downloaded from the ASIC web site www.asic.gov.au or alternatively a copy can be obtained if you contact this office.