

31 May 2010

MELBOURNE

LEVEL 29 600 BOURKE STREET
MELBOURNE VIC 3000 AUSTRALIA
PO Box 290 COLLINS STREET WEST
MELBOURNE VIC 8007
PHONE +61 3 9600 4922
FAX +61 3 9642 5887
EMAIL FHMELB@MELB.FH.COM.AU
WWW.FERRIERHODGSON.COM
DX 125 MELBOURNE

TO CREDITORS AND EMPLOYEES

Dear Sir/Madam

RE: **CLIVE PEETERS LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 058 868 018**

**CLIVE PEETERS WHOLESALE PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 058 868 723**

**CLIVE PEETERS KITCHENS & BATHROOMS
PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 097 301 445**

**CLIVE PEETERS HOME ENTERTAINMENT
(BRISBANE) PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 097 301 490**

**WATERCELL PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 093 965 998**

**HI-FI CORPORATION (WA) PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 092 691 846**

**NTFQ PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 109 689 769**

**RICK HART HOLDINGS PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 112 058 787**

ADELAIDE
BRISBANE
PERTH
SYDNEY
HONG KONG
JAKARTA
KUALA LUMPUR
MANILA
SHANGHAI
SINGAPORE
TOKYO

AFFILIATED THROUGH
ZOLFO COOPER
AND
KROLL WORLDWIDE
UNITED STATES
UNITED KINGDOM

(COLLECTIVELY "THE GROUP")

As you may be aware Mr Colin Nicol, Mr Matthew Caddy and Mr Keith Crawford of McGrathNicol were appointed as joint and several Administrators of the Group on 19 May 2010.

Additionally, on 19 May 2010, Mr Philip Carter and Mr Daniel Bryant of PPB were appointed Receivers and Managers ("the Receivers") of the Group.

At the first meeting of creditors held on 28 May 2010, creditors resolved to terminate the appointment of Mr Nicol, Mr Caddy and Mr Crawford and appoint Mr Brendan Richards and me as replacement joint and several Administrators of the Group pursuant to Section 436E(4) of the *Corporations Act 2001* ("the Act"). The replacement arose as a result of a perceived conflict of interest involving McGrathNicol.

THE RECEIVERS

The purpose of this letter is to describe, in general terms, the role of the Receivers compared with the role of the Administrators, and to provide relevant contact details in relation to queries you may have.

When replying please quote:

Our Ref: GG:BK: :A1/B9

G:\GG-2\Clive Peeters\A3 Communication with Officers of Company, Bankrupt\VA_VA031B - First circular to creditors - trade on_0013.docx

Liability limited by a scheme approved under the Professional Standards Legislation

Ferrier Hodgson is an affiliation of independent partnerships

CORPORATE ADVISORY

FORENSICS

CORPORATE RECOVERY



It should be noted that the Receivers are in control of the Group's day to day operations. They will be solely responsible for, and will determine all issues relating to, the Group's ongoing trading operations and the manner in which the assets are dealt with. Please direct all enquiries regarding ongoing supply of products and services, consignment stock, retention of title over stock supplied and liens/pledges over any of the Group's assets to the Receivers in the first instance.

The Receivers' contact details are:

PPB
Level 21, 181 William Street
MELBOURNE VIC 3000
Telephone: (03) 9269 4000

THE ADMINISTRATORS

As Administrators, we are not involved in and will not be liable for any aspect of the Group's trading operations.

The following items provide a general description of the work we will undertake as Administrators, and also contains some relevant information for your review.

1. First meeting of creditors

At the first meeting of creditors a Committee of Creditors was appointed. The purpose of the Committee of Creditors is be a representative group of the creditors which the Administrators can liaise with, however the Committee of Creditors cannot make decisions on behalf of the creditor group as a whole.

Creditors may have submitted a proof of debt form to McGrathNicol for the purposes of the first meeting. Proof of debt forms lodged with McGrathNicol will be forwarded to this office and accordingly you will not be required to submit another proof of debt form at this time.

In the event that you have not submitted a proof of debt form and would like to, please find attached an informal claim form which you may complete and return to this office. Forms can be sent by facsimile on **(03) 9642 5887** marked to the attention of Ms Fahime Durbali or scanned and emailed to Fahime.Durbali@fh.com.au.

2. Second meeting of creditors

The Administrators will prepare a report to creditors under section 439A of the Act which will include details on the Group's business, property, affairs and financial circumstances.

A second meeting of creditors will be held on or before 23 June 2010 unless the Court extends this date. It is at this meeting that creditors will consider the Administrators' report and consider resolutions regarding the Group's future, namely:

- Acceptance of a Deed of Company Arrangement
- Liquidation
- End the Administrations and return control of the Group to the directors



3. Declaration by Administrators

Pursuant to section 436DA(2) of the Act and the Insolvency Practitioners Association of Australia's ("IPA") Code of Professional Practice, we enclose the Administrators' Declaration of Independence, Relevant Relationships and Indemnities ("DIRRI"). A copy of the DIRRI was tabled at the first creditors meeting.

4. Property used but not owned by the Group

We understand that the Receivers will communicate with lessors and owners of property under the Group's control. Pursuant to section 440C of the Act, the lessor or owner of property in the Group's control is not entitled to take possession of such property without leave of the Court or the Administrators' written consent.

5. Legal proceedings

The appointment of Administrators has the effect of staying a proceeding in a court against the Group. Creditors are unable to commence or continue a proceeding against the Group without our written consent or with the leave of the Court.

6. Employees

It is our understanding that the Receivers have corresponded directly with employees regarding their ongoing employment and will address all queries in this regard. Employees with enquiries concerning their outstanding pre appointment entitlements should contact Ms Natalie Reid of this office on (03) 9604 5138.

7. Administrators' remuneration

For the purposes of the Group's administration, the Administrators intend that their remuneration be calculated on the basis of time spent by them, and their staff of an appropriate level having regard to the nature and complexity of the work, and calculated by reference to hourly rates. Enclosed for your information are the following:

- Statement regarding remuneration setting out the four basic methods of calculating remuneration together with an explanation as to why hourly rates are appropriate in this administration
- Schedule of rates and general guide to staff experience

The Administrators will provide creditors with a remuneration report pursuant to section 449E of the Act with the report to creditors referred to in section 1 above.

An information sheet concerning approval of remuneration in external administrations can be obtained from www.ipaa.com.au or through this office.



8. Further information

For further information concerning the Voluntary Administration process and Ferrier Hodgson, you may wish to visit our website at www.ferrierhodgson.com. Queries regarding the administration should be directed to either Ms Natalie Reid on (03) 9604 5138 or Ms Fahime Durbali of this office on (03) 9604 5661.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'G. Georges'.

GEORGE GEORGES
ADMINISTRATOR

Encl.

CLIVE PEETERS LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 058 868 018

CLIVE PEETERS WHOLESALE PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 058 868 723

CLIVE PEETERS KITCHENS & BATHROOMS PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 097 301 445

CLIVE PEETERS HOME ENTERTAINMENT
(BRISBANE) PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 097 301 490

WATERCELL PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 093 965 998

HI-FI CORPORATION (WA) PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 092 691 846

NTFQ PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 109 689 769

RICK HART HOLDINGS PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 112 058 787

(“COLLECTIVELY THE GROUP”)

STATEMENT REGARDING REMUNERATION

A. Remuneration methods

There are four basic methods that can be used to calculate the remuneration charged by an insolvency practitioner. They are:

Time based/hourly rates

This is the most common method. The total fees charged is based on the hourly rate charged for each person who carries out the work multiplied by the number of hours spent by each person on each of task performed.

Fixed fee

The total fee charged is normally quoted at the commencement of the administration and is the total cost for the administration. Sometimes, a practitioner will finalise an administration for a fixed fee.

Percentage

The total fee charged is based on a percentage of a particular variable such as the gross proceeds of asset realisations.

Contingency

The insolvency practitioner’s fee is contingent on achieving a particular outcome.

B. Method Chosen

Time based remuneration is appropriate in this administration given:

- It ensures creditors are only charged for work performed
- We are required to perform tasks unrelated to asset realisations; hence, fees solely based on asset realisation would be unrealistic
- We are unable to provide a reliable estimate of total fees to complete all tasks in the administration

Dated this 31st day of May 2010



GEORGE GEORGES
ADMINISTRATOR

SCHEDULE OF HOURLY RATES & GENERAL GUIDE TO STAFF EXPERIENCE

Classification	Rate (\$)	Experience
Partner/Appointee	590	The Partner/Appointee is a registered liquidator and member of the ICAA and, generally, the IPA, bringing specialist skills to the administration or insolvency task. For specific experience and other details of the appointee/s, please visit our website at www.ferrierhodgson.com
Director	535	Generally, minimum of 12 years experience at least 2 years of which is to be at Manager level. University degree; member of the ICAA and, generally, the IPA, with deep knowledge and lengthy experience in relevant insolvency legislation and issues.
Senior Manager	465	Generally, more than 7 years experience with at least 2 years as a Manager. University degree; member of the ICAA and, generally, the IPA; very strong knowledge of relevant insolvency legislation and issues.
Manager	370	Generally, 5-7 years chartered accounting or insolvency management experience. University degree; member of the ICAA and, generally, the IPA; sound knowledge of relevant insolvency legislation and issues.
Supervisor	315	Generally, 4-6 years chartered accounting or insolvency management experience. University degree; member of the ICAA; completing IPA Insolvency Education Program. Good knowledge of relevant insolvency legislation and issues.
Senior 1	280	Generally, 2-4 years chartered accounting or insolvency management experience. University degree; completing the ICAA's CA, program. Good knowledge of basic insolvency legislation and issues.
Senior 2	250	Generally, 2-3 years chartered accounting or insolvency management experience. University degree, ICAA's CA program commenced.
Intermediate 1	220	0 to 2 years experience. Has completed or substantially completed a degree in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Intermediate 2	185	0 – 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Senior Secretary	180	Appropriate skills including machine usage.
Junior/Filing	145	Completed schooling and plans to undertake further studies. Required to assist in administration and day to day field work under the supervision of more senior staff.

Notes:

1. The hourly rates are exclusive of GST.
2. The guide to staff experience is intended only as a general guide to the qualifications and experience of our staff engaged in the administration. Staff may be engaged under a classification that we consider appropriate for their experience.
3. Time is recorded and charged in six-minute increments.
4. Rates are subject to change from time to time. Disbursements are recovered on the following basis.

Disbursements	Charges (Excluding GST)
Postage	At cost
Telephone	At cost
Photocopying	30 cents a copy
Facsimile	\$1 per page
Group Search	At cost
File Set up	\$40
Advertising	At cost
Storage	At cost
Couriers	At cost

Generally, the Partners of Ferrier Hodgson Melbourne are members of the Insolvency Practitioners Association. Ferrier Hodgson follows the IPA Code of Professional Practice

A copy of the IPA Code of Professional Practice may be found on the IPAA website at www.ipaa.com.au.



CORPORATIONS ACT 2001

Section 436DA(2)

**CLIVE PEETERS LTD
ACN 058 868 018**

**CLIVE PEETERS WHOLESALE PTY LTD
ACN 058 868 723**

**CLIVE PEETERS KITCHENS & BATHROOMS PTY LTD
ACN 097 301 445**

**CLIVE PEETERS HOME ENTERTAINMENT (BRISBANE) PTY LTD
ACN 097 301 490**

**WATERCELL PTY LTD
ACN 093 965 998**

**HI-FI CORPORATION (WA) PTY LTD
ACN 092 691 846**

**NTFQ PTY LTD
ACN 109 689 769**

**RICK HART HOLDINGS PTY LTD
ACN 112 058 787**

**(ALL ADMINISTRATORS APPOINTED)
(ALL RECEIVERS AND MANAGERS APPOINTED)**

(“THE COMPANIES”)

DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS AND INDEMNITIES

Independence

We, George Georges and Brendan Richards, of Ferrier Hodgson, have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Administrators of the Companies. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

Relevant Relationships

Neither we, nor our firm, have, or have had within the preceding 24 months, any relationships with the Companies, an associate of the Companies, a former insolvency practitioner appointed to the Companies or any other person or entity that has a charge on the whole or substantially whole of the Companies' property, other than as set out below.

Name	Nature of relationship	Reasons why not an impediment or conflict
National Australia Bank Limited ("NAB")	<p>NAB holds a charge over the whole or substantially the whole of the property of the Companies.</p> <p>Ferrier Hodgson undertakes corporate recovery and advisory work on behalf of NAB on a regular basis.</p>	<p>Past and current engagements undertaken by Ferrier Hodgson on behalf of NAB are discrete engagements, and are in no way related to the Companies. Those engagements will not impact upon the ability of the Voluntary Administrators to act impartially during the course of the Administration.</p> <p>Further, we note NAB has appointed PPB as Receivers and Managers over the Companies, to act in the Bank's interests.</p>
Australian Taxation Office ("ATO")	<p>The ATO is a substantial creditor of the Companies, and from time to time Ferrier Hodgson undertakes work on behalf of the ATO.</p>	<p>Past and current engagements undertaken by Ferrier Hodgson for the ATO are discrete engagements, and are in no way related to the Companies. Accordingly, those engagements will not impact upon the ability of the Voluntary Administrators to act impartially during the course of the Administration.</p>
Unsecured creditor	<p>A contractor of Ferrier Hodgson is a non-executive Director of his family company which is an unsecured creditor of Clive Peeters Ltd . The family company is owed an immaterial amount in terms of the total unsecured creditors of Clive Peeters Ltd.</p>	<p>The contractor concerned has no financial interest in Ferrier Hodgson nor has Ferrier Hodgson any financial interest in the contractor's family interests. The contractor will have no involvement in the Voluntary Administration, nor will the contractor have access to any of the information relating to the Administration. Appropriate Information Barriers have been put in place to ensure that is the case.</p> <p>In addition to the implementation of Information Barriers, we have taken advice which supports our view that this situation does not in any way impair the independence of the Voluntary Administrators.</p>

There are no other prior professional or personal relationships that should be disclosed.

Prior Engagements with the Insolvent

Neither we, nor our firm, have undertaken any prior engagements for the Company.

Indemnities

We have been provided with the following indemnities for the conduct of this administration.

Name	Nature of Indemnity
NAB	NAB has provided an indemnity as follows: <ul style="list-style-type: none">- Legal expenses properly incurred by the Administrators in any application for an extension of the convening period in an amount not exceeding \$25,000 per application- Up to \$200,000 for fees and disbursements associated with the Voluntary Administration (or any subsequent Liquidation)- In the event costs exceed \$200,000, the NAB will consider further support, subject to appropriate demonstration as to basis for costs in excess of this amount- The sum of the preceeding two points not to exceed \$300,000 in total

This does not include statutory indemnities.

Dated: 2 June 2010



GEORGE GEORGES
PARTNER



BRENDAN RICHARDS
PARTNER

NOTE: *If circumstances change, or new information is identified, we are required under Section 436DA(5) of the Corporations Act 2001 and the IPA Code of Professional Practice to update this declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the Company's creditors.*

INFORMAL PROOF OF DEBT FORM

Regulation 5.6.47

Please tick relevant company you are a creditor of:

- | | |
|---|---|
| <input type="checkbox"/> CLIVE PEETERS LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 058 868 018 | <input type="checkbox"/> CLIVE PEETERS WHOLESALE PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 058 868 723 |
| <input type="checkbox"/> CLIVE PEETERS KITCHENS & BATHROOMS PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 097 301 445 | <input type="checkbox"/> CLIVE PEETERS HOME ENTERTAINMENT
(BRISBANE) PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 097 301 490 |
| <input type="checkbox"/> WATERCELL PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 093 965 998 | <input type="checkbox"/> HI-FI CORPORATION (WA) PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 092 691 846 |
| <input type="checkbox"/> NTFQ PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 109 689 769 | <input type="checkbox"/> RICK HART HOLDINGS PTY LTD
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED)
ACN 112 058 787 |

Name of creditor:

Amount of debt claimed:

(see note)

Consideration for debt:

Whether debt secured or unsecured:

If secured, give details of security including dates, etc:

Balance, if any, after deducting value of security (see note):

.....
Creditor (or person authorised by creditor)

NOTE:

Under the Corporations Regulations, a creditor is not entitled to vote at a meeting unless (Regulation 5.6.23):

- a. his claim has been admitted, wholly or in part, by the Administrator; or
- b. he has lodged with the Administrator particulars of the debt or claim, or if required, a formal proof of debt.

For the purposes of Part 5.3A, a secured creditor may vote (Regulation 5.6.24):

- a. for the whole of his debt without regard to the estimated value of his security.

Proxies must be made available to the Administrator.