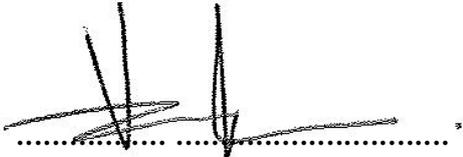


SECOND COMMITTEE OF CREDITORS MEETING

**Retail Adventures Pty Ltd (Administrators Appointed)
("The Company")**

**Held at the Offices of Deloitte Touche Tohmatsu
Level 9 Grosvenor Place, 225 George Street, Sydney NSW 2000
On Friday, 7th December 2012 at 11.00 am (AEDT)**

This is the annexure of 10 page(s) marked "A"
referred to in the Form 5011 signed by me
and dated 21 December 2012



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Signature

Present: Vaughan Strawbridge Administrator, Deloitte Touche Tohmatsu
Jason Tracy Partner, Deloitte Touche Tohmatsu
Ben Smith Deloitte Touche Tohmatsu
Nicole Libardo Deloitte Touche Tohmatsu

In Attendance: The following committee members attended the meeting in person or by phone:

Creditor	Representative	Attending meeting?
TNW Australia Pty Ltd	Chris Noel	Yes - in person
Bronson Marketing Pty Ltd	Errol Graham	Resigned from Committee
Mr. Fothergill's Seeds Pty Ltd	Tina Shur	Yes - by phone
DSG Holdings Australia Pty Limited	Damien Hodgkinson	Yes - by phone
National Union of Workers	Matt Toner	Yes - by phone
Stockland Trust	Todd Horrell	Yes - in person

Absentees: Wayne Leslie – Basford Brands
Chris Kinden – Webb Distributors
Tina McGregor – Signet

Opening of Meeting: At 11:10am (AEDT) on Friday, 7 December 2012 Vaughan Strawbridge declared the meeting open.

Mr Strawbridge stated:

This is the Second Committee of Creditors meeting of Retail Adventures Pty Limited (Administrators Appointed) that will be referred to as RAPL or the Company for the period of the meeting.

My name is Vaughan Strawbridge and I am one of the Joint and Several Administrators of the Company. My Joint and Several Administrators David Lombe and John Greig are not present and I pass on their apologies.

Also with me today is Jason Tracy, a Partner at Deloitte, Ben Smith and Nicole Libardo of Deloitte, who assist with the day-to-day carriage of the matter.

Mr Strawbridge saw that all members were present at the meeting and had signed the attendance register. For those members who dialled in by telephone, this was taken as confirmation of attendance.

Purpose: Mr Strawbridge proceeded to explain that the purpose of this Committee of Creditors meeting was to discuss:

1. The current status of the voluntary administration
2. Obtain an update from Discount Superstore Group (“DSG”) on their restructuring plan
3. To consider and if thought fit approve the Administrators’ remuneration

Tabling of Documents: Mr Strawbridge then stated:

I will take this opportunity to table Notice of the Meeting of the Committee of Creditors dated 30 November 2012.

There were no objections to the tabling of the document.

Time and Place of Meeting: Mr Strawbridge noted he had not received any objections that the time and place was not convenient for this meeting. Therefore pursuant to Regulation 5.6.14 of the Corporations Act 2001, he declared that the meeting was held at a time and place most convenient for the majority of persons entitled to receive notice of the meeting.

Quorum: Mr Strawbridge stated:

As a majority of members of the Committee of Creditors are present I declare in accordance with Regulation 5.6.16 of the Corporations Act 2001 of the Corporations Act 2001 that a quorum is present for the Committee of Creditors Meeting.

Appointment of Chairperson: Mr Strawbridge stated that Pursuant to Regulation 5.6.17(1) of the Corporations Regulations, he was the Joint and Several Administrator and therefore he will occupy the Chair.

The Chairperson asked if there were any objections to him occupying the Chair. There were no objections.

Voting on Resolutions: The Chairperson advised that:

All motions are to be resolved on the voices, unless a poll is demanded (Regulation 5.6.19 and 5.6.20).

When a motion is called could those who are in favour of the motion call aye and those against nay. When voting please vote with your voice so I can clearly hear the voting.

There are options for creditors to demand a poll. At the time of voting on resolutions, if creditors require a poll or more information regarding a poll, please ask.

Agenda:

The Chairperson stated that the agenda for today's meeting was to:

- Provide an update regarding the position of the licence agreement
- An update on the status of the administration generally
- Provide the Committee with a progress report on the sale of business campaign
- Hear from Damian Hodgkinson, of DSG, concerning its restructuring plan for the business.
- A summary of our investigations into the affairs of RAPL to date
- To consider and if though fit approve the Administrators remuneration
- Any other business the Committee may wish to discuss.

Licence position update

The Chairperson presented a timeline which set out the Administrators' ability to terminate the licence agreement.

The Chairperson explained the licence agreement had not been terminated. DSG continues to operate the business under licence as:

- There had been no material breaches of the licence agreement by DSG to date
- The business requires ongoing funding to operate, which is not available without the licence in place
- The business requires further restructuring to become profitable
- Investigations have continued and proceeded with the sale of business

The Chairperson then went on to explain the impact of the licence agreement:

Investigations

- Majority of key suppliers are back on board supplying to DSG
- Most retention of title claims have been rejected, however those that have proceeded to settlement have been funded by DSG
- The restructuring is still progressing.

The Chairperson guided the Committee through the key findings of his investigations into the affairs of RAPL to date, namely:

- Review of any potential breaches of director duties
- Unfair preference payments
- Insolvent trading.

The Administrator also answered a number of questions from the committee concerning the status of the investigations.

Status of the administration**1. Key Work Streams**

The Chairperson took the Committee through an overview of the work streams his staff were involved in the administration to date:

- Employees:

- Processing wage and entitlement payments
- Reviewing entitlement claims
- Attending to redundancies and dealing with employee queries.
- Property leases:
 - Processing rent and outgoing payments
 - Issuing disclaimer notices to landlords for stores being closed
- Store closures:
 - Overseeing stock transfers to remaining stores
 - Overseeing removal of any property, plant and equipment with salvageable value
- Retention of title:
 - Assessing and either settling / rejecting retention of title claims to stock
- Suppliers / stock:
 - Negotiating release of stock to distribution centres
 - Discussing ongoing supply with major suppliers
- Non-property leases:
 - Arranging with DSG to disclaim items of property, plant and equipment no longer being used in the remaining business
- Investigations:
 - Undertaking statutory investigations into the affairs of RAPL in order to prepare the s439A report
- Trading / Cash flow:
 - Monitoring cash from trading and DSG funding commitments to the Administrators

2. Current position snapshot

The Chairperson provided a snapshot of the current position of the administration:

Cash at Bank

- To date \$38.4m has been received of which \$32.8m is funding from DSG for trading costs. Of this \$32.8m, \$7m remains on hand to cover future commitments.
- Administrators hold \$6.7m, of which \$2.3m is to fund payments to employees who have been made redundant to date.
- The Administrators are operating four bank accounts:
 - Trading account (\$6.8m) – operating bank account for trading receipts and payments

- Licence account (\$6.5m) – bank account for funding commitments payable by DSG under the licence
- Stock account (\$0.4m) – used to pay suppliers for the release of stock on water / at wharf
- USD account (\$0.1m) – used to pay suppliers in US\$ for the release of stock on water / at wharf

Inventory and staff redundancies

- Under the licence terms DSG is required to keep inventory levels at a minimum \$70m. DSG's forecast shows this will be maintained.
- Current commitments for new stock is greater than \$58m
- Since the first meeting, the total number of employees made redundant through the administration has increased from 688 to 763.
- DSG has funded all termination payments. We are aiming to pay all terminated staff their entitlements before Christmas.

Store closures and leases

- On appointment there were 268 stores. At the end of last week the Administrators had closed 28 stores (4 were transferred back to DSG for continued trading)
- When a store has closed the Administrators have:
 - Given notice of the closure to the landlord and disclaimed the lease
 - Transferred any stock on hand to nearby stores
 - Arranged for IT, point of sale systems and cash registers to be removed
- Other items of property, plant and equipment have usually been left within the store because:
 - They have a low salvage value (based on advice from valuers)
 - The costs of removing the items is uncommercial (the cost to remove them is greater than the proceeds from their sale)
 - Trying to remove the items may subject the Administrators to make-good claims from landlords
- In addition to the 28 store closures, we have reviewed with DSG the property, plant and equipment under lease and disclaimed a number of leases not required in the go forward business.
- Lease disclaimers have generated annualised savings of more than \$14.4m as part of the restructure of the business.

Questions

During the above discussion the committee members asked a number of questions regarding DSG's inventory on hand and store closures:

1. Is it possible to undertake a stocktake?
2. Are landlords responsible for cleaning after a store closure?

3. Is it worth hiring a contractor to clean up after a store closure?

In response to these questions, the Administrator advised:

1. It is too difficult to undertake a stocktake given the number of stores and amount of inventory on hand. It would also likely require the closure of stores in order for the stock take to be completed.
2. Landlords are responsible to meeting these costs, but these costs can be claimed in the administration.
3. It is a cost that the Administrators do not need to incur.

Sale of business

The Chairperson stated:

- A sale of business has commenced with indicative offers expected 21 December 2012 and final offers by 25 January 2013
- The expressions of interest deadline had been extended to 11 December 2012
- To date 10 parties have expressed an interest in various parts of the business. One party has expressed an interest in the business as a whole (excluding DSG)
- We are continuing to liaise with the interest parties to progress their interest with a view to receiving indicative offers by 21 December, 2012
- Our Corporate finance team are identifying parties which we expect would have:
 - An interest in the business; and
 - the financial capacity to fund a transactionand we will be contacting them as well to determine if there is an interest.
- We are requesting proposals from two parties to conduct a valuation of the business.

Any other business

The Committee posed the following questions to the Chairperson:

1. Would any further store closures take place in January?
2. Is the licence arrangement concept a relatively new thing?
3. Will the administrator pursue insolvent trading?
4. What recourse do creditors have if they don't like the way the Administrators have handled the administration?
5. Do creditors receive funding to receive independent legal advice?

In response to these questions, the Administrator advised:

1. Approximately 14 stores are being reviewed to see if they are viable. After Christmas, unviable stores will come under the Administrator's control.
2. The license itself is not a new concept, and not common. It is used to preserve a business. Works in this case where a secured creditor is running the business. We are confident Jan Cameron has the ability to run the business forward.

3. If a company goes into a deed company arrangement, insolvent trading actions can't be pursued. A company needs to be in liquidation in order to pursue such claims.
4. We have not received any objections or complaints. We have sent out letters and not received any disagreement from creditors about our investigations.
5. Creditors can seek their own legal advice regarding their claims and circumstances with respect to the Administration at their own expense.

Administrators' remuneration

The Chairperson took the Committee through the Administrators' fees for acting as Administrators of RAPL. The material was drawn heavily from the remuneration report contained as part of the circular to Committee members.

**Administrators' remuneration:
26 Oct to 24 Nov**

The Committee was taken through the work undertaken in each task area of the remuneration report including:

Assets:

- Discussions and negotiations with freight forwarders and shipping lines for the release of stock to use in the business
- Discussions with DSG regarding leased equipment required for trading and disclaiming leased assets no longer required to operate the business
- Preparing and undertaking sale of business campaign

Creditors:

- Receive and follow up creditor enquiries
- Holding first meeting of creditors
- Holding first meeting of Committee of Creditors
- Receiving, assessing and settling / rejecting retention of title claims

Employees:

- Implement staff redundancy program
- Preparation of letters to employees advising of their entitlements and options available
- Receive and prepare correspondence in response to employees objections to leave entitlements

Trade on:

- Authorising purchase orders for the Administrators' stores and DSG's stores
- Reconciling funds received from DSG to meet trading overheads
- Conduct store closure program for Administrators stores

Investigations:

- Meetings with RAPL IT staff to understand IT infrastructure and capture data

- Forensic analysis of specific transactions

Administration:

- Insurance arrangements for Administrators stores and DSG stores
- Reconciliation of pre and post Administration cash and EFTPOS receipts
- Filing of documents

**Resolution re:
remuneration for
26 Oct to 24 Nov**

The Chairperson then proposed the following resolution for the Company:

“That the remuneration of the Administrators, their partners, and staff, for the period of the Administration from 26 October 2012 to 24 November 2012 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators’ partners and staff, calculated at the hourly rates as detailed in the Remuneration Report of 30 November 2012 of fees equalling \$1,143,712.50 plus GST, plus disbursements plus GST, and that the Administrators can draw the remuneration as required.”

The Chairperson declared the motion carried unanimously on the voices.

**Deloitte Risk
Services’
remuneration**

The Chairperson explained that the Administrators had engaged Deloitte Risk Services to undertake an Occupational Health and Safety Assessment of the business following their appointment.

**Resolution re:
remuneration for
Deloitte Risk
Services**

The Chairperson then proposed the following resolution for the Company:

“That the remuneration of the Deloitte Risk Services, their partners, and staff, for the period of the Administration from 26 October 2012 to 24 November 2012 is fixed at a sum equal to the cost of time spent by Deloitte Risk Services and the Deloitte Risk Services’ partners and staff, calculated at the hourly rates as detailed in the Remuneration Report of 30 November 2012 of fees equalling \$12,500.00 plus GST, plus disbursements plus GST, and that the Administrators can pay the remuneration as required.”

The Chairperson declared the motion carried unanimously on the voices.

**Administrators’
remuneration:
25 Nov to 31 Dec**

Before the Chairperson could provide estimates of future remuneration up to 31 December 2012, Matt Toner left the meeting.

The Chairperson explained work was forecasted to take place in each of the key areas:

Assets:

- Finalisation of negotiations with freight forwarders and shipping lines for the release of stock
- Reviewing and monitoring stock levels to be maintained per the licence agreement
- Discussions with DSG regarding leased equipment required for trading and disclaiming leased assets no longer required to operate the business
- Undertaking sale of business campaign and meeting with senior RAPL staff to obtain information to assist interested parties with their due diligence

Creditors:

- Receive and follow up creditor enquiries

- Holding second meeting of Committee of Creditors
- Receiving, assessing and settling / rejecting retention of title claims

Employees:

- Conduct further staff redundancy program
- Preparation of letters to employees advising of their entitlements and options available
- Receive and prepare correspondence in response to employees objections to leave entitlements

Trade on:

- Authorising purchase orders for DSG's stores
- Reconciling funds received from DSG to meet trading overheads
- Conduct further store closure program

Investigations:

- Review of specific transactions and liaising with directors regarding certain transactions
- Liaising with management and director regarding certain transactions
- Preparation of statutory investigation reports
- Correspondence with ASIC regarding large company reporting obligations

Dividends:

- Preparation of correspondence to potential creditors inviting lodgement of POD
- Request further information from claimants regarding POD
- Preparation of correspondence to employees regarding priority dividend

Administration:

- Insurance arrangements for Administrators stores and DSG stores
- Reconciliation of pre and post Administration cash and EFTPOS receipts
- Filing of documents

Questions

During the above discussion the committee members asked a number of questions regarding the Administrator's future remuneration:

1. Is there a forecast for fees for January 2013?
2. Are store closures a significant part of the "Creditors" tasks?

In response to these questions, the Administrator advised:

1. It is difficult to estimate fees for January 2013 at this stage as the work to be undertaken will be affected by the outcome of the sale of business campaign and our ongoing investigations.
2. Our fees include dealing with employees, landlords, store closures, disclaiming assets, reconciliation of cash flows etc.

**Resolution re:
remuneration for
25 Nov to 31 Dec**

The Chairperson then proposed the following resolution for the Company:

“That the remuneration of the Administration from 25 November 2012 to 31 December 2012 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators’ partners and staff, calculated at the hourly rates as detailed in the Remuneration Report of 30 November 2012 of \$1,122,095.00 exclusive of GST, and that the Administrators can draw the remuneration as incurred. Should a lesser amount be actually incurred, only the lesser amount will be drawn. Should the fees be a greater amount then that amount will be subject to a separate fee approval and will not be drawn until approved.”

The Chairperson declared the motion carried unanimously on the voices.

Following the resolution, Damian Hodgkinson attending the meeting by telephone.

**DSG restructuring
plan**

Before Damien Hodgkinson’s presentation, the Chairperson advised the Committee that the following part of this presentation was confidential. The Committee unanimously agreed as per their confidentiality agreement commitments, to refrain from discussing the contents his presentation outside of the meeting.

The Chairperson then handed over the meeting to Damian Hodgkinson who ran the Committee through DSG’s future plans to restructure the business.

Close of meeting

Following Mr Hodgkinson’s presentation, the Chairman asked Mr Hodgkinson how DSG intended to vote on the remuneration resolutions put to the meeting.

Mr Hodgkinson said DSG was in favour to all three of the remuneration resolutions.

The Chairperson asked if there was any other business to discuss and then declared the meeting closed at 12.50pm.

The Chairperson thanked the Committee members for their attendance.



V N Strawbridge

Chairperson

Dated: 21 December 2012