

ANNUAL REPORT TO CREDITORS

1 December 2016

Dear Sir/Madam

Australian Discount Retail Group ("ADR Group") (Pooled Group as detailed in Annexure A) (In Liquidation)

Report pursuant to Section 508(1)(b)(ii) of the Corporations Act 2001 ("the Act")

I refer to the appointment of Simon John Cathro and I as Joint and Several Administrators of the ADR Group of companies on 20 January 2009 pursuant to Section 436A of the Act. Subsequently, on 25 November 2009 at concurrent meetings of creditors of all thirty-nine ADR Group entities, Mr Cathro and I were appointed liquidators by a resolution of the respective creditors of each of the ADR Group companies.

I advise that Mr Cathro retired as Joint Liquidator of all thirty-nine ADR Group entities on 10 August 2011 and I, David Lombe, remain as the sole Liquidator of the pooled ADR Group ("the Liquidator").

Further, by an order of the Court on 19 September 2011, I was also appointed Liquidator of Discount Variety Group Pty Ltd ("DVG"), a wholly owned subsidiary of the Australian Discount Retail (Trading) Pty Ltd (In Liquidation).

I confirm that I will not be convening a meeting of creditors pursuant to Section 508(1)(b)(i) of the Act, and instead, have prepared this report in accordance with Section 508(3) of the Act, to update creditors on the progress of the liquidation and to describe our acts and dealings and the general conduct of the winding up for the period 25 November 2015 to 24 November 2016. This report should be read in conjunction with our Annual General Report and Meeting dated 17 February 2016.

A copy of this report has been lodged with the Australian Securities and Investments Commission pursuant to Section 508(4) of the Act.

1. Update since our last Report to Creditors dated 17 February 2016

Summarised below is a description of the acts and dealings of the Liquidator since 17 February 2016:

- Liaise with potential public liability claimants and relevant insurers regarding finalisation of claims;
- Receipt and maintenance of proof of debts;
- Receive and follow up creditor enquiries by telephone and email;
- Adjudication of new creditor claims whom have submitted proofs of debt ("POD");
- Payment of interim catch up dividend to new creditor claims whom have submitted POD;
- Administering the tax affairs of the pooled ADR Group;
- Compliance with all statutory requirements in relation to our appointment;
- Dealing with the receipts and payments of the ADR Group;
- Dealing with file administration.

1.1 Statutory Reporting

I have continued to comply with my other statutory obligations set out under the Act including the lodgement of six monthly receipts and payments for the pooled ADR Group with the ASIC.

As previously advised, my investigations into the affairs of the ADR Group have been completed. As the pooled ADR Group will pay a dividend of less than 50 cents in a dollar, I have reported to the ASIC pursuant to Section 533 of the Act.

In my referred report to the ASIC, I examined various aspects of the ADR Group's trading activities and also as to whether offences had been committed by any officers of the ADR Group.

The Regional Commissioner for the ASIC has advised me he does not intend to carry out further investigations into the affairs of the ADR Group and the conduct of its officers.

1.2 Surplus Finds from the Receivers and Managers

To date the Liquidator has received funds from the Receivers and Managers totalling \$11.8 million of which \$8.2 million has been distributed to unsecured creditors.

1.3 Dividend to Unsecured Creditors

As creditors would be aware in April 2012, a first dividend was declared and paid to unsecured creditors in the amount of thirteen (13) cents in a dollar.

The Liquidator is continuing to deal with a number of outstanding public liability claims which have the potential to give rise to further unsecured claims against the ADR Group. During the period of our appointment the Liquidators have been made aware of 91 potential liability claims. A summary of the current status of these claims is provided below:

- Thirty four (34) claims have been finalised and require no further action;
- Fifty five (55) claims are inactive as claimants have not responded to the liquidators request to complete a proof of debt form. These creditors would be entitled to participate in a dividend distribution if sufficient information is provided during the required statutory timeframe;
- Two (2) claims are currently active. I am maintaining contact with the solicitors who have carriage of these matters. It is likely that the two active claims will result in eligible claims in the liquidation of the ADR Group. I am considering what options may be available to me to progress the Liquidation towards finalisation whilst these claims remain active.

Please note I am not in a position to distribute the final dividend to unsecured creditors until all eligible claims have been adjudicated accordingly.

1.4 Liquidator's Remuneration

To avoid the cost of holding a full meeting of creditors, the Liquidator intends to hold a meeting of Creditors at a time when he is in a position to pay a final dividend in order to seek approval for future remuneration in excess of the approval granted on 4 March 2016 to finalise the liquidation.

2. Issues Remaining in the Liquidation/Estimated Timeframe for Completion

Below is a summary of the other acts and dealings that remain to be carried out by the Liquidator in order to complete the winding up:

- Finalising the adjudication of active public liability claimants;
- Obtain clearances from government bodies for the settlement of eligible public liability claims;
- Distribution of the final dividend to unsecured creditors;
- Dealing with future creditor enquiries;
- Meetings of creditors;
- Meeting statutory and tax compliance obligations;
- Obtaining tax clearance from the Australian Taxation Office;
- Finalisation of the liquidation for the ADR Group.

The finalisation timeframe is dependent upon the clearance from government bodies for the settlement of public liability claims and the finalisation of active public liability claims. The Liquidator has little influence over the timing of the clearances and the resolution of the active claims. The Liquidator is hopeful that the liquidation of the ADR Group will be finalised by the end of 2017.

3. Receipts and Payments

A summary of the receipts and payments for the ADR Group for the period 25 November 2009 to 24 November 2016 is attached as **Annexure B**.

Should you have any queries regarding the contents of this report, please contact Andrew Whittingham of this office on (02) 8260 4390 or anwhittingham@deloitte.com.au.

Yours faithfully



David J F Lombe
Liquidator

Company Name	ACN
Angzol Pty Ltd	109 316 350
Armmate Pty Ltd	104 711 891
Arnnete Pty Ltd	104 727 924
Kirby Street (Holding) Pty Ltd	116 849 113
formerly Australian Discount Retail Pty Limited	
Kirby Street (Finance) Pty Ltd	
formerly Australian Discount Retail (Finance) Pty Limited	117 268 532
Kirby Street (Logistics) Pty Ltd	
formerly Australian Discount Retail (Logistics) Pty Ltd	103 305 700
Kirby Street (Trading) Pty Ltd	
formerly Australian Discount Retail (Trading) Pty Limited	117 238 945
Blue Spike Pty Ltd	092 192 204
Bluebend Pty Limited	098 726 526
Bluepeer Pty Limited	098 726 553
Caloundra Retail Co Pty Ltd	108 773 208
Cashbound Pty Ltd	095 230 407
Cashbuild Pty Ltd	095 241 875
Kirby Street – (Ipswich) Pty Ltd	
formerly Crazy Clark’s – Ipswich Pty Ltd	050 403 695
Kirby Street (Warwick) Pty Ltd	
formerly Crazy Clark’s – Warwick Pty Ltd	073 395 838
Kirby Street (Dalby) Pty Ltd	
formerly Crazy Clark’s (Dalby) Pty Ltd	074 910 946
Kirby Street (Nth Qld) Pty Ltd	
formerly Crazy Clark’s Nth. Qld. Pty Ltd	058 407 471
Kirby Street (CC Retail) Pty Ltd	
formerly Crazy Clark’s Retail Pty Ltd	092 197 914
DPCo Pty Limited	117 640 310
Fireright Pty Ltd	095 578 386
Freshfame Pty Ltd	102 337 164
Garden Pty Ltd	071 458 930
General Variety Pty Ltd	097 076 447
Goralin Pty Ltd	087 268 719
Group Variety Pty Ltd	097 076 401
GSCo Pty Limited	117 640 301
Imagewatch Pty Ltd	102 323 786
ITCo Pty Limited	117 640 338
Look Sharp Concepts Pty Ltd	003 116 621
Makro Cannon Park Pty Ltd	105 140 752
Makro Toowoomba Pty Ltd	107 491 618
Mallwalk Pty Ltd	102 324 569
Moneycure Pty Limited	098 727 596
O’Neills Property Company Pty Ltd	095 230 416
Queensland Discounters Pty Ltd	097 076 410
Shopping Variety Pty Ltd	097 076 367
State Group Pty Ltd	097 076 385
Sungate Pty Ltd	010 497 551
Youngdown Pty Ltd	003 393 548
Discount Variety Group Pty Ltd	096 097 719

Receipts and payments for the period 25 November 2009 to 24 November 2016

RECEIPTS	Total (\$)
Cash at Bank	122,229.84
Other Income - NO GST	119.13
Dividend Distributions from HIH	\$434.35
Refunds - Rental Outgoings	29,890.05
Bank Interest	820,156.24
Term Deposit Interest	350,623.85
Settlement of Preferences	10,000.00
Funds from Receiver and Manager	11,815,632.64
Interest on GST Refund	14.02
Refund Filing Fees & Subpoena income	161.3
Refunds - Miscellaneous	5,732.70
GST Payable	33,690.08
GST Clearing Account	186,307.60
	<hr/> 13,374,991.80
 PAYMENTS	
Bank Charges	\$594.85
Meeting Expenses	37,141.91
Postage & Printing	68,435.55
Storage Costs	55,994.29
Other Government Charges	8,788.00
Legal Fees and Disbursements	368,311.11
Liquidators Remuneration	1,197,898.68
Liquidators Expenses	72,307.31
Administrators Remuneration	146,482.00
Administrators Expenses	6,113.45
Unsecured Creditors - Dividend Paid	8,287,854.64
GST Receivable	225,861.71
	<hr/> 10,475,783.50
 Balances in Hand	 <hr/> 2,899,208.30 <hr/>