

CIRCULAR TO CREDITORS

8 December 2009

Dear Sir / Madam

Australian Discount Retail Group Individual Entities Detailed in 'Annexure A' (All Receivers and Managers Appointed) (All In Liquidation)

As you are aware Simon Cathro and I were appointed Joint Administrators of the thirty-nine companies within the Australian Discount Retail Group ("*the ADR Group*") as detailed at Annexure A on 20 January 2009 pursuant to Section 436A of the *Corporations Act 2001*. I note that Receivers and Managers have also been appointed to the ADR Group.

Outcome of Second Meeting of Creditors

As advised in my previous correspondence dated 13 November 2009, Meetings of Creditors of the thirty-nine companies in the ADR Group were held concurrently at the Four Seasons Hotel, 199 George Street, Sydney, NSW 2000 on Wednesday 25 November 2009 at 2:00pm.

At this meeting:

- The Administrators' Section 439A Report to Creditors dated 17 November 2009 was discussed including a detailed discussion on the Administrators' investigations undertaken to date. Further, it was noted at the meeting that if any creditor was in possession of any information that may assist the Liquidators' investigations, creditors are requested to contact this office.
- The Administrators' Remuneration Report dated 17 November 2009 (Annexure H to the Administrators' Section 439A Report to Creditors dated 17 November 2009) was tabled and the Administrators' Remuneration and Estimated Future Liquidators' Remuneration, as detailed in the Administrators' Remuneration Report, was approved by creditors of the respective entities.
- Finally, creditors resolved to wind up all thirty-nine companies in the ADR Group with Simon Cathro and I being appointed as Joint Liquidators. In addition, creditors resolved to appoint Committees of Inspection for each of the ADR Group entities to assist the Liquidators on issues in the Liquidation in a more cost effective and efficient manner.

Estimated Surplus for Unsecured Creditors

Our previous circular to creditors dated 13 November 2009 advised that the Receivers and Managers (Ferrier Hodgson) had recently confirmed that a surplus of funds is expected to be available for the benefit of unsecured creditors. The expected surplus is estimated to be between \$9 million and \$12.6 million depending on final receivership adjustments. Based on creditor claims to date the surplus represents a potential dividend of 5.76 cents to 8.77 cents in the dollar after costs of liquidation and before any recoveries from voidable transactions.

Distribution to Unsecured Creditors

It is difficult to determine an exact timeframe for the distribution to unsecured creditors as it is subject to the following:

- The timing of receipt of surplus funds from the Receivers and Managers. The Receivers expect that approximately 70% of the surplus funds will be provided within the next 3-6 months, with final funds expected to be received in November 2010. As such, the Liquidators may make an interim distribution to unsecured creditors in the first half of 2010 before receipt of the final surplus funds;
- Finalisation of the liquidators investigations into potential preference and other recoveries;
- Completion of pooling arrangements for the ADR Group entities for the purposes of the Liquidation (and distribution to unsecured creditors);
- Adjudication of unsecured creditor claims; and
- Completion of the dividend process pursuant to the requirements of the Corporations Act 2001.

All creditors will be notified in writing when they are required to submit a formal proof of debt and when a dividend is being declared.

Should you have any other questions relation to this matter, please contact **Jacqueline Hermann** of this office on +61 (2) 9322 3986.

Yours faithfully



D J F Lombe
Joint Liquidator

Australian Discount Retail Group
(“the ADR Group”)
(All Receivers and Managers Appointed) (All In Liquidation)

No.	Company Name	Short Name	ACN
1	Angzol Pty Ltd	Angzol	109 316 350
2	Armmate Pty Ltd	Armmate	104 711 891
3	Arnnete Pty Ltd	Arnnete	104 727 924
4	Kirby Street (Holding) Pty Ltd formerly Australian Discount Retail Pty Limited	ADR	116 849 113
5	Kirby Street (Finance) Pty Ltd formerly Australian Discount Retail (Finance) Pty Limited	ADRF	117 268 532
6	Kirby Street (Logistics) Pty Ltd formerly Australian Discount Retail (Logistics) Pty Ltd	ADRL	103 305 700
7	Kirby Street (Trading) Pty Ltd formerly Australian Discount Retail (Trading) Pty Limited	ADRT	117 238 945
8	Blue Spike Pty Ltd	Blue Spike	092 192 204
9	Bluebend Pty Limited	Bluebend	098 726 526
10	Bluepeer Pty Limited	Bluepeer	098 726 553
11	Caloundra Retail Co Pty Ltd	Caloundra	108 773 208
12	Cashbound Pty Ltd	Cashbound	095 230 407
13	Cashbuild Pty Ltd	Cashbuild	095 241 875
14	Kirby Street – (Ipswich) Pty Ltd formerly Crazy Clark’s – Ipswich Pty Ltd	Crazy Clark’s Ipswich	050 403 695
15	Kirby Street (Warwick) Pty Ltd formerly Crazy Clark’s – Warwick Pty Ltd	Crazy Clark’s Warwick	073 395 838
16	Kirby Street (Dalby) Pty Ltd formerly Crazy Clark’s (Dalby) Pty Ltd	Crazy Clark’s Dalby	074 910 946
17	Kirby Street (Nth Qld) Pty Ltd formerly Crazy Clark’s Nth. Qld. Pty Ltd	Crazy Clark’s Nth Qld	058 407 471
18	Kirby Street (CC Retail) Pty Ltd formerly Crazy Clark’s Retail Pty Ltd	Crazy Clark’s Retail	092 197 914
19	DPCo Pty Limited	DPCo	117 640 310
20	Fireright Pty Ltd	Fireright	095 578 386
21	Freshfame Pty Ltd	Frashfame	102 337 164
22	Garden Pty Ltd	Garden	071 458 930
23	General Variety Pty Ltd	General Variety	097 076 447
24	Goralin Pty Ltd	Goralin	087 268 719
25	Group Variety Pty Ltd	Group Variety	097 076 401
26	GSCo Pty Limited	GSCo	117 640 301
27	Imagewatch Pty Ltd	Imagewatch	102 323 786
28	ITCo Pty Limited	ITCo	117 640 338
29	Look Sharp Concepts Pty Ltd	Look Sharp	003 116 621
30	Makro Cannon Park Pty Ltd	Makro Cannon Park	105 140 752
31	Makro Toowoomba Pty Ltd	Makro Toowoomba	107 491 618
32	Mallwalk Pty Ltd	Mallwalk	102 324 569
33	Moneycure Pty Limited	Moneycure	098 727 596
34	O’Neills Property Company Pty Ltd	O’Neills Property	095 230 416
35	Queensland Discounters Pty Ltd	Queensland Discounters	097 076 410
36	Shopping Variety Pty Ltd	Shopping Variety	097 076 367
37	State Group Pty Ltd	State Group	097 076 385
38	Sungate Pty Ltd	Sungate	010 497 551
39	Youngdown Pty Ltd	Youngdown	003 393 548