

CIRCULAR TO CREDITORS

6 August 2009

Dear Sir / Madam

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

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

Extension of the Convening Period

As detailed in my correspondence dated 10 March 2009, the Administrators made an application to the Supreme Court of New South Wales ("the Court") in late February 2009 to seek an extension to the convening period for the ADR Group of Companies. One of the core grounds for that application was to maximise the prospects of a sale of the businesses of the ADR Group on a going concern basis.

On 3 March 2009, Justice Barrett granted a 6 month extension to the convening period. The last day of the extended convening period pursuant to the extension was 18 August 2009.

Further Extension of the Convening Period

On 3 April 2009, the businesses of the ADR Group were sold to Retail Adventures Pty Ltd ("RA"). A component of the sale price under the deed of sale ("Asset Sale Deed") relates to the number of ADR Group premises which are ultimately assigned or transferred to RA.

The Receivers have advised that whilst a large number of in principle agreements have been reached and / or finalised by way of executed documentation with landlords, RA has requested a further extension to allow sufficient time for as many as possible of the remaining lease agreements between RA and the respective landlords to be negotiated/finalised/executed.

The Receivers subsequently requested the Administrators to apply to the Court for a second extension of the convening period for a further three months beyond 18 August 2009 to allow RA to execute lease documentation with as many landlords as possible.

Impact on Position of Creditors

We have been advised by the Receivers that:

1. The Asset Sale Deed contains an adjustment provision for redundancy costs and lost shop profit in the event that RA is unable to negotiate a new lease arrangement for a store;
2. A negative adjustment (in the event of failure to achieve new lease arrangements) has the potential to eliminate any surplus available for the unsecured creditors;

3. An extension of the convening period for a further three months should allow sufficient time for the vast majority of landlords to complete negotiations/finalise/execute documentation for the assignment of existing lease or new lease arrangements; and
4. On this basis, a surplus of funds is likely to be available to Administrators for the unsecured creditors that may not be possible without the second extension of the convening period.

As such, from the information provided by the Receivers it would appear that a second extension of the convening period is in the best interests of the unsecured creditors.

As such, the Administrators submitted an application to the Court on 4 August 2009 requesting that a three month extension from 18 August 2009 to 18 November 2009 to the convening period be granted.

Hearing - determination of convening period

At the hearing held on 4 August 2009, submissions by the Administrators, Receivers and RA were made to the Court outlining the reasons for a further extension to the convening period of three months. Justice White reserved his judgement until 2.00pm, Wednesday 5 August 2009 to consider the matter.

Court Orders

I advise that Justice White reviewed the submissions and granted a further extension to the convening period to 18 November 2009 in accordance with the period the Administrators requested in their application.

I note that liberty to apply is granted to any person/creditor who can demonstrate sufficient interest to modify or discharge the orders granted by the Court on not less than 48 hours notice to the Administrators.

Future meetings of creditors

As such, I advise that the second meeting of creditors as required by section 439A of the Act may be held at any time during, or within 5 business days after the end of the convening period as extended by the Court.

Therefore the second meeting of creditors could be held at anytime up until 25 November 2009. The timing of the meeting will be dependent upon the completion of the assignment of leases to RA and any other matters that may arise in the interim.

We will endeavour to provide creditors with as much notice as possible in relation to the timing of the second meeting of creditors.

Further details and updates on the Administration can be found on the Deloitte website as follows:

http://www.deloitte.com/dtt/section_node/0,1042,sid%253D212330,00.html

Should you require any further information please contact Jacqueline Hermann of this office on (02) 9322 3986.

Yours faithfully



D.J.F Lombe
Joint and Several Administrators

**AUSTRALIAN DISCOUNT RETAIL GROUP
(ALL ADMINISTRATORS APPOINTED)
(ALL RECIVERS AND MANAGERS APPOINTED)**

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