

CIRCULAR TO CREDITORS

13 November 2009

Dear Sir / Madam

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

Simon John Cathro and I were appointed Joint Administrators of the thirty-nine companies within the Australian Discount Retail Group (*"the ADR Group"*) as detailed in 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.

1. Notice of Meeting

Meetings of Creditors of the companies in the ADR Group are to be held concurrently at **the Four Seasons Hotel, 199 George Street, Sydney, NSW 2000** on **Wednesday 25 November 2009** at **2:00pm**. The Form 529 Notice of Meeting is attached at Annexure B. Further details of the meeting can be found in the Administrators' section 439A Report to Creditors.

If you wish to be represented at the meeting, please ensure your Proof of Debt and Appointment of Proxy form are delivered to this office, sent by facsimile to +61 (2) 9322 7001, or e-mailed to adr@deloitte.com.au before 4:00 pm on Tuesday 24 November 2009. A new proxy form is required for this meeting, any proxy for the previous meeting is not valid. However a new Proof of Debt is not required if previously submitted.

2. Report to Creditors

Pursuant to the Court Order granted on 16 February 2009, due to the number of creditors and cost of distribution of a large report, a complete version of the Administrators' section 439A Report to Creditors is available as follows:

- (a) Online at:
www.deloitte.com/view/en_AU/au/services/corporatereorganisation/businessesunderadministration/australiandiscountretailgroup/index.htm after 17 November 2009;
- (b) In electronic form via email by sending an email request to adr@deloitte.com.au;
- (c) In paper form by:
 - (i) Calling Jacqueline Hermann of Deloitte on +61 (2) 9322 3986 and requesting the document be sent by mail; or
 - (ii) Sending a letter to the Administrators, either by mail (to Jacqueline Hermann, Deloitte, PO Box N250 Grosvenor Place, Sydney NSW 2000) or by facsimile (to Jacqueline Hermann, Deloitte Touche Tohmatsu, +61 (2) 9322 7001) and requesting the document be sent by mail.

The complete version of the report will be available on the Deloitte website by close of business Tuesday 17 November 2009.

3. Sale of Business/Surplus for Unsecured Creditors

The Receivers and Managers (“the Receivers”) of the ADR Group, Messers John Melliush and James Stewart of Ferrier Hodgson have advised that the sale of the assets and business of the ADR Group and an associated business (Chickenfeed) has been completed.

The Receivers have confirmed that there is surplus funds available for the benefit of unsecured creditors resulting from the sale of the business and assets of the ADR Group, and the funds generated during the receivership trading period, less costs of receivership and settlement of the secured creditors and employee claims in full.

The expected surplus is estimated to be between \$9 million to \$12.6 million depending on final receivership adjustments. Based on creditor claims received to date the surplus represents a potential dividend of 5.76 cents to 8.77 cents in the dollar after estimated costs of liquidation but does not include any realisation by the liquidator for insolvent trading or voidable transaction claims.

The outcome of our investigations and potential recovery actions are outlined in detail in the report.

From discussions with the Receivers I expect to receive a portion of the surplus prior to the meeting of creditors and the balance in instalments over time.

4. Administrators Recommendations – Liquidation of the ADR Group

We note that during the course of our appointment as Administrators no Deed of Company Arrangement has been proposed by any party. Accordingly, it is our recommendation that each company within the ADR Group be wound up.

For all 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 and Several Administrator

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

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

FORM 529

CORPORATIONS ACT 2001

Subregulation 5.6.12(2)

NOTICE OF SECOND MEETING OF CREDITORS OF COMPANY UNDER ADMINISTRATION

**Australian Discount Retail Group
("the ADR Group")**

(All Receivers and Managers Appointed) (All Administrators Appointed)

NOTICE is given that a meeting of the creditors of the companies will be held at the Four Seasons Hotel, 199 George Street, Sydney, NSW 2000, on Wednesday 25 November 2009 at 2.00pm.

AGENDA

1. To receive a Statement about the Companies' Business, Property, Affairs and Financial Circumstances of the company.
2. To receive the report of the Administrator.
3. Questions from creditors.
4. For creditors to resolve:
 - a. that the companies execute a Deed of Company Arrangement; or
 - b. that the administration should end; or
 - c. that the companies be wound up.
5. To fix the remuneration of the Administrators.
6. If the companies are to execute a Deed of Company Arrangement to fix the remuneration of the Deed Administrator.
7. If the companies are to be wound up, to consider appointing a Committee of Inspection.
8. If no Committee is appointed, to fix the remuneration of the Liquidators.
9. If no Committee is appointed, to consider the destruction of the books and records at the conclusion of the winding up.
10. Any other business that may be lawfully brought forward.

Proxies to be used at the meeting should be lodged at the office of the Administrators by no later than 4.00pm on the day prior to the meeting. A creditor can only be represented by proxy or by an attorney pursuant to corporations Regulations 5.6.28 and 5.6.32 (inclusive) and if a body corporate by a representative appointed pursuant to Section 250D.

In accordance with Regulation 5.6.23(1) of the Corporations Regulations, creditors will not be entitled to vote at this meeting unless they have previously lodged particulars of their claim against the relevant company in accordance with the Corporations Regulations and that clause has been admitted for voting purposes wholly or in part by the voluntary administrator.

Arrangements have been made for creditors outside Sydney to attend the meetings via telephone conference facilities. Creditors intending to use the telephone attendance facility will be required to notify us of that intention and collect the appropriate details.

DATED this 13th day of November 2009.



D J F Lombe
Joint and Several Administrators