



Renovation Boys Pty Ltd
(Administrators Appointed)

First Creditors' Meetings
Thursday 6 February 2014 10.00am AEST

First Creditors' Meetings

- Renovation Boys Pty Ltd (Administrators Appointed) (“the Company”)
ACN 137 669 099
- Opening of the meeting by the Chairperson
Jason Tracy, Deloitte – Joint Administrator

Voluntary Administrators

Jason Tracy, Joint Administrator

Vaughan Strawbridge, Joint Administrator

Date of appointment: 25 February 2014

Agenda

- Purpose & Process
- Formalities
- Actions since appointment
- Operations
- Financials
- Sale of business
- Questions
- Voting/resolutions
- Creditors' Committee Appointment
- Any other resolutions
- Questions and any other business
- Closure

Purpose & Process

Voluntary Administrations are a flexible and cost effective form of administration with the stated aim to:

“maximise the chances of a business continuing in existence or at the very least, provide a better return to creditors” (Section 435A)

A Voluntary Administrator can only be appointed by

- The company
- A secured creditor
- A Liquidator of the company, or
- A Provisional Liquidator of the company

Purpose & Process

Section 438A - The primary function of an Administrator is to investigate the affairs of the company as soon as practicable, and form an opinion as to whether:

- The company enter into a Deed of Company Arrangement
- The administration end and control of the company be returned to the directors, or
- The administration end and the company be wound up

Purpose & Process

The process has four distinct phases:

1. Administrators' appointment & First Meeting
2. Investigation period
3. Second (439A) Meeting of creditors
4. Implementation of the agreed course of action

Purpose & Process

The Second (439A) Meeting:

The Administrators will have conducted an investigation into the affairs of the company

Creditors have the benefit of the Administrators' report and must resolve which of the three alternatives they wish the company to adopt

1. The company enter into a Deed of Company Arrangement
2. The administration end and control of the company be returned to the directors, or
3. The administration end and the company be wound up

Purpose & Process

- The 439A (Second) Meeting is to be held in five business days from the end of the convening period (which is 20 business days from the date of the Administrators appointment)

Proposed meeting date: Tuesday 1 April 2014

Prior to the meeting you will receive

- notice of meeting
- Administrators' report to creditors

Purpose of the meeting is to resolve one of the following:

- The company enter into a Deed of Company Arrangement
- The administration end and control of the company be returned to the directors, or
- The administration end and the company be wound up

Formalities

- Attendance Register and Observers
- Notice of Meeting
- Convenience for creditors
- Declaration of Quorum for each company
- Meetings to be held concurrently
- Independence of Administrators
- Proxies received
- ASIC comment
- Administrators' comment regarding employees

Actions since appointment

Statutory compliance

- ASIC filings
- Convening first meeting
- Notices to creditors and employees
- Statutory advertising

• Employees

- Meetings with employees
- Calculation of employee entitlements (wages, annual leave, superannuation)

Trading business

- Majority of time was spent trading the business from Tuesday 24 February 2014 to Friday 28 February 2014.
- The Administrators aim was to keep the business running as smoothly as possible to preserve the value of the business.

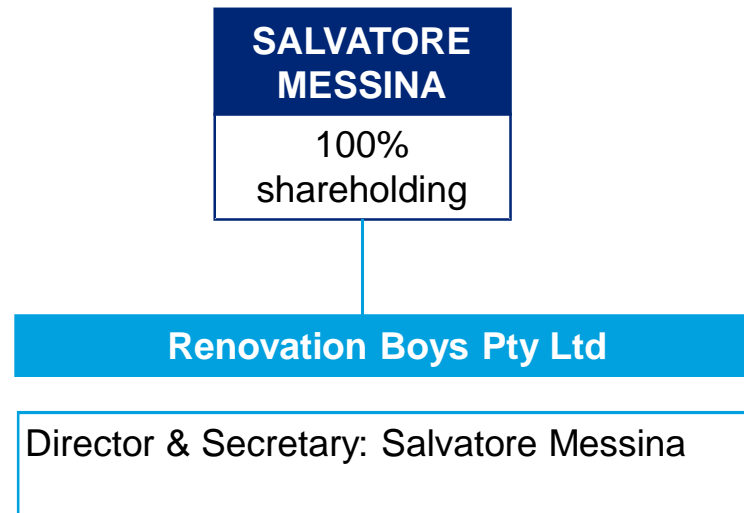
Temporary cease of trading

- On Thursday 27 February 2014, the Administrators became aware of potentially conflicting claims in relation to the ownership of stock.
- The Administrators made a decision to temporarily cease trading in order to conduct an assessment of the Company's stock position.
- The Administrators have will be seeking urgent directions from the Court in order to achieve a resolution in relation to the stock ownership issue.

Sale of business

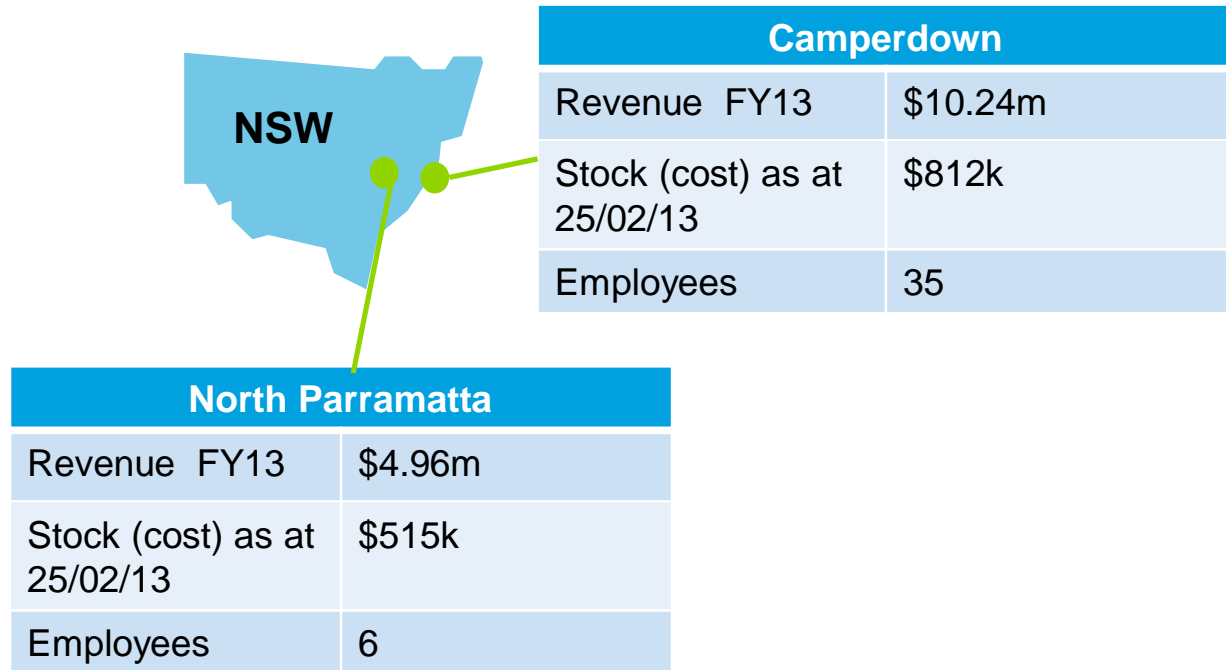
- Further information regarding a potential sale will be presented later in the meeting

Background: Company structure



Background: Operations

By store



* approximately \$100k of stock may be subject to PPSR claims

Reasons for Appointment

Director / Director's representative

Advised Mr Messina's lawyer would like to say a few words

Reasons for Appointment Administrators

Pronto IT system

Purchase, implementation and efficiency issues: (according to management accounts and analysis)

- Installation - \$344k
- Ongoing consultancy costs – c.\$290k
- Increased wage costs – requirement for extra staff
- Increased staff turnover
- Increased costs in the customer service department
- Lack of staff training caused order errors and incorrect stock allocation

Reasons for Appointment Administrators - Continued

Other

- Losses – high costs
- Undercapitalised balance sheet which resulted in a deficiency of working capital ~ unsustainable when losses are incurred
- Poor stock processes and discipline

Financial Analysis – P&L

FY13 - Detailed

FY13 - Management Accounts					
\$('000)	Camperdown	Parramatta	Renovations	Head office	Total
Sales	10,243	4,960	709	143	16,055
% of total sales	64%	31%	4%	1%	100%
Cost of sales	(7,551)	(2,689)	(531)	(0)	(10,771)
Gross profit	2,692	2,272	177	143	5,284
Overheads	(1,844)	(460)	(100)	(6,586)	(8,990)
EBITDA	848	1,812	77	(6,443)	(3,706)

- Data extracted from Company unaudited management accounts

Financial Analysis – P&L

FY12, FY13 and YTD 31/12/2013 - Comparison

Management Accounts	FY12	FY13	YTD 31/12/13
\$(000)	Total	Total	Total
Sales	15,040	16,055	8,326
Cost of sales	(9,594)	(10,771)	(5,022)
Gross profit	5,446	5,284	3,304
Overheads	(6,129)	(8,990)	(3,667)
EBITDA	(683)	(3,706)	(363)

- Data extracted from Company unaudited management accounts

Financial Analysis

Summary of assets and liabilities

Asset	\$
Stock	\$1.32M
Related party loans	\$3.40M
Plant & Equipment	\$0.66M
Business and IP	Unknown
Total	c.\$5m

Liability	\$
Employee entitlements	\$0.17m
Lease & hire purchase	\$0.32m
Unsecured trade creditors (excl. ATO)	\$3.77m
Customer Deposits Held	\$1.82m
Related party loans	\$3.6m
ATO	\$0.54m
Landlords	Not quantified
Total	c.\$10m

Est deficiency - \$5m

- Data extracted from Company unaudited management accounts

Sale of business

- Advertisements for sale in the Australian Financial Review (03/03/14)
- Expressions of interest deadline set for COB Monday 10 March 2014
- 6 interested parties in stock and / or business

Title issue – Stock and Customer orders

Status of customer orders & stock

Fully paid orders - at 25 Feb 14

Who has title to stock

- We discovered that title may have passed from the Company to certain customers pre our appointment (i.e. certain stock in the warehouse was no longer owned by the Company at our appointment)
- We have identified customers who we believe may have title based on the following conditions:
 - paid 100% of their order
 - stock appeared to be allocated to the customer in the stock system and some stock was available

Simple solution?

- Can't we just hand stock back? Well its not that simple.....

Why is it not that simple?

- We need to make sure that title has passed. i.e. confirm the legal position
- The stock system is complex & analysis takes time (analysing 1,261 orders, 10,789 stock items across 2,012 stock lines). Some reports take 6 hours to generate
- We have identified competing claims against the same stock (ie less stock on hand than fully paid customer orders). We can't split bath tubs in half.... Who has title?

Title issue – Stock and Customer orders

Status of customer orders & stock

Why is it not that simple? (cont'd)

- The customer orders are not currently picked and packed and the process of identifying, preserving, picking, packing and facilitating collection of stock to a select customer pool is expensive. The costs above include lease costs, staff, utilities etc. Who will run and fund this process? If no-one, is stock abandoned?
- What happens if customers who are found to have title do not collect their stock? Is it treated as abandoned and what happens to it?

Next Steps

- The Administrators are still reviewing Company records to determine if title has passed
- An application to the Court is expected to be made to get approval to:
 - Raise a levy to cover costs in picking, packing and facilitating collection of stock given the lack of other funding
 - Deal with the competing claims in an equitable way – possibly realising the stock and apportioning proceeds between competing customers order
 - Deal with goods as if they are abandoned after notification is provided to customers

Customers should regularly refer to our website for updates -
www.deloitte.com/au/renovation-boys

Notice to Customers – 4 March 2014

Status of customer orders & stock - continued

Partly paid orders – at 25 Feb 14

- Customers with orders that were only partly paid prior to 25 February 2014 are advised that title to those goods has not passed to the customer
- In the above circumstances, customers may have an unsecured claim against the Company

Status of customer deposits placed during the Administration (ie. 25 Feb 2014 to 28 Feb 2014)

- Customers will be contact by the Administrators' staff to arrange the refund of deposit for goods paid for during this period that have not been collected or delivered.
- Customers who 're-purchased' goods that were paid for in full prior to the appointment of Administrators may be entitled to a refund. The Administrators' staff will contact these customers separately.

Questions

From the floor

Please state your name and Company name for the record.

Voting/Resolutions

Resolutions

- Motions to be resolved on the voices, unless a poll is demanded (Regulation 5.6.19, 5.6.20)

A poll could be demanded by:

- The Chairperson; or
- At least two persons entitled to vote; or
- A person representing not less than 10%

Creditors' Committee Appointment

Resolution – Committee of Creditors

Renovation Boys Pty Ltd (Administrators Appointed)

“That a committee of creditors of Renovation Boys Pty Ltd be formed in accordance with section 436E(1) of the Corporations Act 2001, comprising the following members...”

Note:

Ideally all groups of creditors should be represented on the Committee, including:

- Trade creditors
- Employees
- Landlords

Any other resolutions

- Administrators appointed 25 February 2014
- Creditors may remove Administrators and appoint someone else as Administrator (Section 436E(4))
- Other nominations

Closure

- Any other business
- Meeting closed



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