

RETAIL ADVENTURES PTY LTD

(Administrators Appointed)

ACN 135 890 845

RETAIL ADVENTURES HOLDINGS PTY LTD

(Administrators Appointed)

ACN 136 178 839

Report to Creditors pursuant to Section 439A of the
Corporations Act 2001

19 AUGUST 2013

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

“Deloitte” is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide [audit](#), [consulting](#), [financial advisory](#), [risk management](#), and [tax](#) services to selected clients. These firms are members of Deloitte Touche Tohmatsu Limited (DTTL), a UK private company limited by guarantee. Each member firm provides services in a particular geographic area and is subject to the laws and professional regulations of the particular country or countries in which it operates. DTTL does not itself provide services to clients. DTTL and each DTTL member firm are separate and distinct legal entities, which cannot obligate each other. DTTL and each DTTL member firm are liable only for their own acts or omissions and not those of each other. Each DTTL member firm is structured differently in accordance with national laws, regulations, customary practice, and other factors, and may secure the provision of professional services in its territory through subsidiaries, affiliates, and/or other entities.

About Deloitte Australia

In Australia, Deloitte has 12 offices and over 4,500 people and provides audit, tax, consulting, and financial advisory services to public and private clients across the country. Known as an employer of choice for innovative human resources programs, we are committed to helping our clients and our people excel. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities. For more information, please visit Deloitte's web site at www.deloitte.com.au.

Liability limited by a scheme approved under Professional Standards Legislation.

Contents

1	Executive Summary	4
2	Purpose of the Administration	8
3	Administration Update	9
4	Background Information	13
5	Historical Financial Performance & Position	17
6	Directors' Report as to Affairs (RATA) - RAPL	25
7	Directors' Report as to Affairs - RAHPL	29
8	The Administrators' Strategy	30
9	Investigations	35
10	Estimated Return from a Winding Up	58
11	Deed of Company Arrangement	61
12	Administrators' Opinion	65
13	Letter from DSG to suppliers dated 18 July 2013	66
14	Other Material Information	66
15	Remuneration	66
16	Meeting	68
	Appendix A - Declaration of Independence, Relevant Relationships and Indemnities	70
	Appendix B - Information Sheet – Offences, Recoverable Transactions, etc	78
	Appendix C – Proposed DOCA	82
	Appendix D - Approving Fees: A Guide for Creditors	88
	Appendix E - Remuneration Report	96
	Appendix F - Notice of Meeting	110
	Appendix G - Proof of Debt	114
	Appendix H - Form of Proxy	120
	Appendix I – Administrators Receipts and Payments	126

Definitions

Administrators	Vaughan Strawbridge & David Lombe & John Greig
ADRT	Australian Discount Retail Pty Limited
ASIC	The Australian Securities & Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
Bicheno	Bicheno Investments Pty Ltd as trustee of the Jan Cameron Trust
Catalyst	Catalyst Private Equity
Champ	Champ Ventures
Committee	Committee of Creditors
Company or RAPL	Retail Adventures Pty Ltd
Companies	RAPL and RAHPL
COO	Chief Operating Officer
Court	Federal Court of Australia
Deloitte	Deloitte Touche Tohmatsu
Director	Janet Heather Cameron, the sole director of RAPL and RAHPL
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
DOCA	Deed of Company Arrangement
DSG	Discount Superstore Group / DSG Holdings Australia Pty Ltd (formerly Retail Adventures Group Pty Ltd)
ERV	Estimated Realisable Value
FEG	Fair Entitlement Guarantee
FYXX	Financial Year Ended 31 July 20XX
GEERS	General Employee Entitlements and Redundancy Scheme
Grant Thornton	Grant Thornton Audit Pty Ltd
IPA	Insolvency Practitioners Association of Australia
IMF	IMF (Australia) Limited
m	million
Management	Management of the Company
NSW	New South Wales
Jan Cameron	Director
P&L	Profit and Loss Statement
Period	1 July 2011 to 26 October 2012
PPSR	Personal Properties Security Register
RAHPL	Retail Adventures Holdings Pty Ltd
RATA	Report as to Affairs
Relation back day	The date of appointment of administrators
RoT	Retention of Title
The Act	Corporations Act 2001
The Court	The Federal Court of Australia or any of the state Supreme Courts
The Period	1 July 2011 to 26 October 2012
The Proposer	Bicheno
The Regulations	Corporations Regulations 2001
VA	Voluntary Administration

1 Executive Summary

It is the Administrators' recommendation that the Companies be wound up.

1.1 Appointment

On 26 October 2012, the Administrators were appointed over RAPL by its sole director, Ms Jan Cameron. On 7 November 2012, the Administrators were also appointed to RAHPL by its sole director, Ms Jan Cameron.

On 14 November 2012 and 27 November 2012 the Court extended the convening periods of RAPL and RAHPL respectively to 26 February 2013. A further extension of both convening periods was granted by the Court on 20 February so that the convening periods of RAPL and RAHPL were extended to 26 August 2012.

A Committee was formed for RAPL at the first meeting of RAPL's creditors. Six Committee meetings were held for RAPL. The Administrators remuneration was approved at these meetings. A seventh Committee meeting has been scheduled for 26 August 2013.

Please see section 3 of this report for further details.

1.2 DOCA Proposed

The ultimate shareholder of the Companies, Bicheno has proposed a single DOCA fund for creditors of RAPL and RAHPL whereby a contribution of \$5.5m is intended to be made by 31 January 2014. Our analysis of the proposal estimates that unsecured creditors may receive a distribution in the vicinity of 6.46 cents in the dollar if the DOCA is approved and the contribution received. As part of this proposal all related parties, including RAHPL will withdraw their claims in a DOCA and therefore not participate in any distribution.

RAHPL's only unrelated creditors are contingent claims that relate to guarantees of property leases for the RAPL business. These creditors of RAHPL will only be entitled to one claim in the pooled DOCA rather than having a claim against RAHPL and another claim against RAPL.

In our opinion, the proposed DOCA is structured in a way which involves inherent risks for creditors. The proposed DOCA prevents the Deed Administrators from commencing proceedings against the contributing parties if the DOCA contribution is not paid. Consequently there is no certainty that creditors will receive any return under the proposed DOCA and the potential recoveries in a subsequent liquidation if the DOCA fails may be materially less than if RAPL and RAHPL are placed in liquidation immediately.

Under the proposed DOCA, control of RAPL will also be returned to the Director. It is our understanding based on discussions with the Director's advisers that it is intended that the Director will release the security which RAPL holds over the assets of DSG prior to the DOCA contribution being paid. If the DOCA subsequently fails because the contribution is not paid, that security will no longer be available to a liquidator.

The DOCA proposal as presently framed is effectively optional at the contributors discretion. Creditors will not know until 31 January 2014 whether the DOCA will result in a return to creditors.

Please see section 11 of this report for further details.

1.3 DOCA vs Liquidation – Administrators Recommendation

The following table represents our analysis of the potential outcomes under the proposed DOCA vs Liquidation:

	RAHPL - Liquidation	RAPL - Liquidation	DOCA
Return to unsecured creditors (cents in the dollar)	0	High 45.12	Low 20.71
			6.46

Based on our estimated outcomes for unsecured creditors, a liquidation scenario would result in a materially higher return to unsecured creditors than the proposed DOCA but over a potentially longer timeframe.

Please see section 12 of this report for further details.

1.4 Second Meeting of Creditors – Companies’ Future

A meeting of creditors of RAPL and RAHPL has been called for **Monday 2 September 2013 at 1.00pm AEST**. The meeting will be held at the following venues:

Location	Venue	Address	Local Time
Sydney	Menzies Sydney	14 Carrington Street, Sydney	1.00pm
Melbourne	Sofitel Melbourne	25 Collins Street, Melbourne	1.00pm
Brisbane	Cliftons Brisbane	288 Edward Street, Brisbane	1.00pm

Please see section 16 of this report for further details.

The purpose of this meeting is to decide the future of RAPL and RAHPL. The options are:

1. That the Administration end and that the control of the Companies revert to its Director
 - o *As both Companies are clearly insolvent, we do **not** recommend this option*
2. That the Companies execute the proposed DOCA
 - o *This option provides an estimated return in the vicinity of 6.46 cents in the dollar to unsecured creditors. We **do not** recommend this option as there is no certainty that the DOCA contribution will be received and we believe that liquidation will provide a better outcome for creditors in any event*
3. That the Companies be wound up
 - o We estimate the return to the unsecured creditors of RAPL is likely to be between 20.71 cents and 45.12 cents in the dollar. **Based on this we recommend that it is in the creditors’ best interests that the Companies be wound up**

We will not be seeking fee approval for the period of the Administration at this meeting as approval has been sought from and granted by the Committee.

Should we be appointed Deed Administrator of the Companies at this meeting we will be seeking approval of our future fees.

Please see section 15 of this report for further details.

1.5 Sale of Business / Licence Agreement – Administrators Strategy

During the period of the VA, the Administrators have undertaken a strategy which sought to maximise the return to creditors by:

- Selling the business as a going concern to the highest bidder (DSG) through a sales campaign for \$58.9m
- Minimising trading and holding costs through a licence agreement with DSG
- Minimising creditors' claims by reducing the claims of employees through continuing employment by DSG rather than redundancy and reducing the potential claims by landlords through the sale of the business as a going concern
- Undertaking an investigation into the affairs of the Companies and seeking to identify potential recoveries available to a liquidator.

Please see section 8 of this report for further details.

1.6 Historical Financial Information

The following is a high level summary of RAPL's financial position, financial performance and key financial ratios. We note that RAHPL was not trading and only had related party loans on its balance sheet.

\$'000	FY10	FY11	FY12
	Mgmt	Mgmt	Mgmt
Net assets	(36,297)	(67,501)	(42,215)
Total profit / (Loss)	(20,303)	(54,780)	(33,220)
Working capital	(55,765)	4,560	94
Current ratio	0.70	1.04	1.00
Quick ratio	0.12	0.19	0.11
Inventory turnover (days)	92	88	89

As shown in the table, RAPL incurred significant losses since its purchase. These losses were funded in part by loans from related parties and creditors.

Please see section 5 of this report for further details.

1.7 Date of insolvency

Our analysis indicates that RAPL may have been insolvent from at least 1 July 2011. RAPL may have been insolvent prior to this date but this date is important because this was the date on which RAHPL was granted security in respect of \$49.77m of intercompany loans to RAPL which had the effect of placing RAHPL in a preferential position compared to ordinary unsecured creditors. This would entitle a liquidator to apply for an order setting aside that security.

Our analysis also indicates that RAPL was insolvent from at least May 2012. This date is also important because the vast majority of the unrelated outstanding debt was incurred after this

date. This may lead to an insolvent trading claim against the directors of RAPL and its parent entities for approximately \$48m.

We have not analysed the date of insolvency of RAHPL as the only relevant transactions were to borrow money from its parent (DSG and ultimately Bicheno) and to lend that money to its subsidiary (RAPL).

Please see section 9 of this report for further details.

1.8 Insolvent Trading – Claim of \$48m

Our estimated returns to creditors detailed in sections 10 and 11 of this report assume recoveries from an insolvent trading claim of between \$19.3m and \$48.2m. The higher amount is calculated based on the outstanding debts at the date of our appointment of \$98m less:

- Landlord claims of approximately \$10m which could not be recovered in an insolvent trading action
- Creditor claims which have been settled by DSG or Bicheno since our appointment.

The following table shows the time when the outstanding debts of RAPL were incurred.

Pre May 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Total (\$)
517,375	613,328	3,346,615	13,939,406	27,130,603	44,618,160	7,857,378	\$ 98,022,866
1%	1%	3%	14%	28%	46%	8%	

Please see section 9.7 of this report for further details.

1.9 Preference Payments - \$50m

We have identified \$50.1m in payments that may be preferential in nature. If RAPL is wound up, a liquidator may commence an action to recover these payments for the benefit of all creditors. These payments are broken down into the following categories:

Category	Creditors Affected	Value (\$'000s)
Deeds of Settlement	5	19,120
Payments made on 26 October 2012	39	800
Stop Supply Creditors	40	27,000
Related Entities	4	3,200
Total	88	50,120

Source: Deloitte analysis

Please see section 9.6.1 of this report for further details.

1.10 Validity of Bicheno's Security - \$49.77m

On 1 July 2011 and 30 July 2011, the shareholders of RAPL took steps to document and secure various loans worth \$49.77m that had been provided prior to 1 July 2011. These loans were either initially provided as unsecured subordinated loans (\$38.847m) or loans that were advanced unsecured and documented as secured loans after the event (\$10.925m).

Our investigations indicate that these transactions may have been entered into at a time when RAPL was insolvent and operated to confer a preference on the shareholders. If a liquidator is

appointed, the liquidator could seek to set aside the security on that basis. If a liquidator was successful in that claim, then under the sale of business deed, DSG would be liable to pay a cash portion of the purchase price of up to approximately \$13.8m. This would be partially offset against the entitlement of DSG and its related entities to a liquidation distribution with the balance payable in cash for the benefit of unrelated creditors.

Please see section 9.6.2 of this report for further details.

2 Purpose of the Administration

The purpose of the appointment of Administrators is to allow for independent insolvency practitioners to take control of and investigate the affairs of an insolvent or likely to become insolvent company in a way that:

- *“Maximises the chances of the company, or as much as possible of its business, continuing in existence; or*
- *If it is not possible for the Company or its business to continue in existence – results in a better return for the company’s creditors than would result from an immediate winding up of the company”*

(Section 435A of the Act).

In administrations such as this, the key to maximising the return to creditors is normally through:

- Maximising proceeds from the sale of the business – typically by selling the business as a going concern
- Minimising trading & holding costs
- Minimising creditors’ claims:
 - Employee claims – maximise ongoing employment therefore reducing redundancy costs. Employees are priority creditors under section 556 of the Act
 - Landlord claims – maximising the number of leases assigned to a purchaser, therefore reducing the landlord claims for breach of lease such as make good, re-letting costs and lost rent.
- Investigation of potential actions and recoveries that may be available to a liquidator should one be appointed
- Receiving a proposed DOCA and comparing it to the outcome for creditors in the event of a liquidation of the company.

The Administrators’ strategy is discussed in more detail in section 8 of this report.

We are required under s438A of the Act to investigate the affairs of the Company in order to provide creditors with sufficient information and recommendations to assist them in making an informed decision on the Company’s future. The purpose of this report is to provide this information and any relevant recommendations, which includes:

- Background information about the company
- The results of our investigations
- The options available to creditors and our opinion on each of these options
- The estimated returns to creditors through each of the options identified above.

The Administrator intends to hold the meetings of RAPL and RAHPL concurrently.

3 Administration Update

3.1 Appointment

On 26 October 2012 we, Vaughan Strawbridge, David Lombe and John Greig were appointed Joint and Several Administrators of RAPL by the Director pursuant to section 436A of the Act.

On 7 November 2012 we, Vaughan Strawbridge, David Lombe and John Greig were appointed Joint and Several Administrators of RAHPL by the Director pursuant to section 436A of the Act.

3.2 First Meeting of Creditors

On 7 November 2012, a meeting of creditors of RAPL was held in accordance with Section 436E of the Act. The meeting was held concurrently in Sydney, Melbourne and Brisbane. At that meeting a committee of creditors was formed. There were no nominations for the replacement of the Administrators.

A copy of the slides shown to creditors and a copy of the minutes of this meeting were made available to creditors on our website¹.

On 19 November 2012, a meeting of creditors of RAHPL was held in accordance with Section 436E of the Act. At that meeting no committee of creditors was formed and there were no nominations for the replacement of the Administrators.

3.3 Extension of Convening Period

The second meeting of creditors is required to be held within five business days from the end of the convening period. The convening period ordinarily ends 20 business days from the date of the Administrators appointment, which was 23 November 2012 for RAPL and 5 December 2012 for RAHPL. The second meetings of creditors for RAPL and RAHPL were therefore initially due to be held by 30 November 2012 and 12 December 2012 respectively.

Given the size and nature of the business of RAPL, the complicated nature of the investigations required to be undertaken and to allow time for a sale of the business campaign to be undertaken, the abovementioned period was considered too tight a timeframe.

Accordingly, applications were made in the Federal Court of Australia to extend the convening periods of RAPL and RAHPL on 14 November 2012 and 27 November 2012 respectively. The Court granted the extensions, so that the convening periods for both RAPL and RAHPL were to conclude on 26 February 2013. Notices dated 15 November 2012 and 20 November 2012 were forwarded to creditors of RAPL and RAHPL respectively, advising that the extension had been granted. Copies of these notices were also forwarded to ASIC and placed on our website¹.

Following the sale of the business to DSG, a further 180 day extension of the convening period was sought by the Administrators. The application was heard in the Federal Court of Australia on Wednesday 20 February 2013 and the Court made an order extending the convening period to 26 August 2013. A circular was sent to all creditors and employees on 21 February 2013 advising them of the granting of the further extension of the convening period and that the second meeting of creditors was now required to be held on or before 2 September 2013.

A copy of this notice was forwarded to ASIC and placed on our website.

¹ www.deloitte.com/view/en_AU/au/services/financial-advisory/restructuringservices/insolvency-matters/retail-adventures
RAPL & RAHPL – Report to Creditors - 19 August 2013

In our letter to creditors dated 21 February 2013 we advised the following reasons for the extension sought on 20 February 2013:

- The extension was a condition of the sale of the business to DSG
- The sale of the business was for the best price achievable and substantially better than a close down scenario
- The sale preserved creditors' rights via a liquidator to challenge the related party security position and other potential claims/actions. It also:
 - Reduced the potential liability to landlords and employees and consequently the size of the creditor pool through the mitigation of lease liabilities and transfer of employment
 - Secured ongoing employment for RAPL staff
 - Ensured continuity of supply to customers and trade with key suppliers
 - Satisfied the objectives of the administration provisions of the Act by enabling the business to continue in existence
 - Enabled us to complete our investigations so that our conclusions in relation to potential claims could be included in our report to creditors for the second meeting.

We consulted with the members of the Committee of Creditors and sent circulars to all known creditors prior to seeking the extensions of the convening period.

3.4 Committee of Creditors Meetings

As detailed in section 3.2 above, a Committee of Creditors was formed for RAPL at the first meeting of creditors. The following creditors volunteered and were elected as members of this committee:

Member	Creditor represented
Damien Hodgkinson	RAHPL
Chris Nole	TNW Australia
Errol Graham	Bronson Marketing
Tina Shurr	Mr. Fothergills Seeds and Bulbs
Wayne Leslie	Basford Brands
Chris Kinden	Webb Distributors
Matthew Toner	National Union of Workers
Tina McGregor	Signet
Todd Horrell	Stockland Trust

To date we have convened six formal meetings of the Committee of Creditors to discuss (amongst other things) the sale process and to update the Committee on the administration generally. The dates and outcomes of these meetings are summarised below:

Meeting #	Meeting Date	Meeting Outcome
1	13-Nov-12	Discussed the: <ul style="list-style-type: none"> - Potential 90 day convening period extension - Licence agreement terms Committee gave unanimous support for convening period extension
2	7-Dec-12	Discussed the status of the: <ul style="list-style-type: none"> - Licence agreement - Administrators' investigations - Sale campaign for the business of RAPL Committee approved the Administrators' remuneration
3	11-Jan-13	Discussed the status of the: <ul style="list-style-type: none"> - Licence agreement - Trading and cash position of the Administration - Sale campaign for the business of RAPL Committee approved the Administrators' remuneration
4	13-Feb-13	Discussed the: <ul style="list-style-type: none"> - Administrators' investigations - Sale of the business to DSG - Licence agreement - Trading and cash position of the Administration - Potential further 180 day convening period extension Committee gave majority support for convening period extension: <ul style="list-style-type: none"> - 1 abstention - 1 objection Committee approved the Administrators' remuneration
5	12-Apr-13	Discussed the: <ul style="list-style-type: none"> - Administrators' strategy and purpose - Licence agreement - Status of the sale of the business - Recent communications from the Administrators, IMF and DSG - Administrators investigations Committee approved the Administrators' remuneration
6	14-Jun-13	Discussed the: <ul style="list-style-type: none"> - Status of the Administration - Administrators' investigations - Potential outcomes from a DOCA / Liquidation scenario Committee approved the Administrators' remuneration

The Remuneration approved by the Committee at each of the six Committee meetings is summarised below:

Meeting number	Meeting Date	Approved Administrators Remuneration* (\$)	Remuneration Period
1	13 November 2012	No approval sought	N/A
2	7 December 2012	1,143,712.50	26 October - 24 November 2012
2	7 December 2012	1,122,095.00	25 November - 31 December 2012
3	11 January 2013	1,142,385.00	1 January - 31 January 2013
4	13 February 2013	975,450.00	1 February – 28 February 2013
5	12 April 2013	334,098.50	1 March – 31 March 2013
5	12 April 2013	335,425.00	1 April – 30 April 2013
6	14 June 2013	206,216.50	1 May – 24 May 2013
6	14 June 2013	284,747.50	25 May – 30 June 2013

*Excludes expenses, disbursements and GST

The actual Administrators' Remuneration incurred has generally been less than the amount approved by the Committee. As such only the amount incurred and not the total amount approved was paid. As the Committee approved the Administrators' Remuneration, we have not provided a copy of the remuneration reports that were sent to the Committee. However, we have placed each Remuneration report on our website² should creditors wish to inspect these documents. Please see section 14 for further details regarding the Administrators Remuneration.

3.5 Administrators' independence, relationships and indemnities

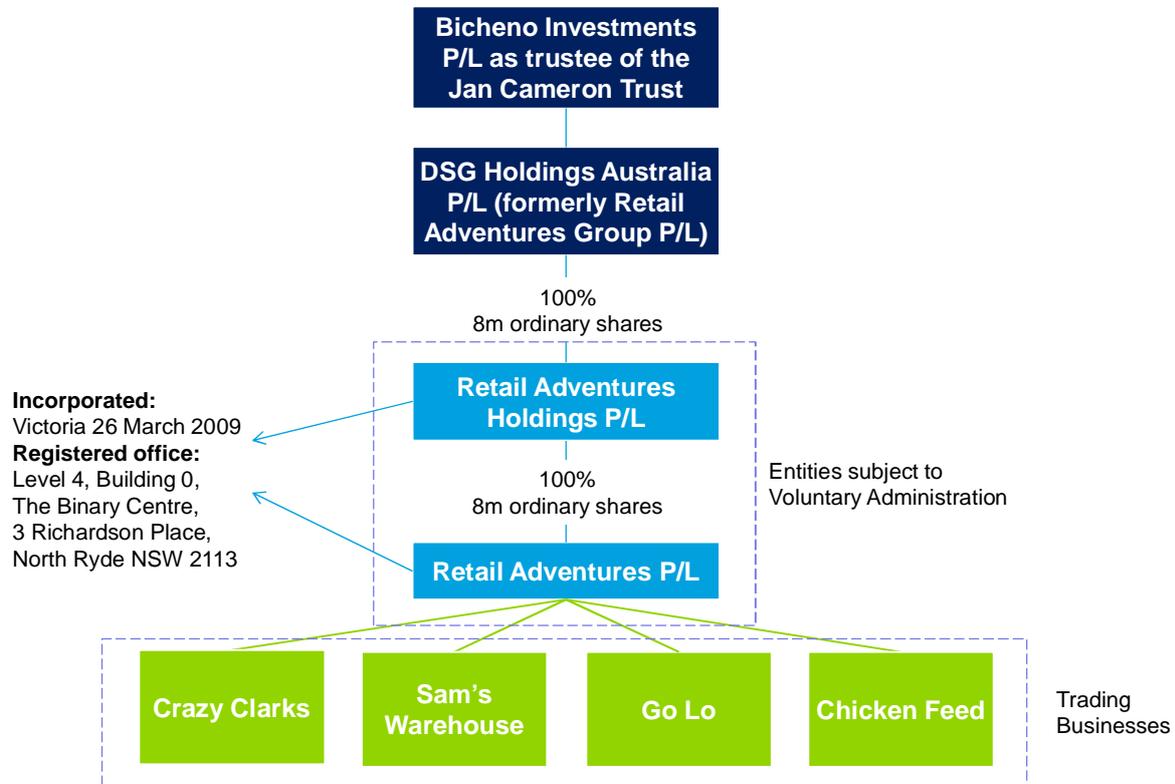
In accordance with section 436DA of the Act, Declarations of Independence, Relevant Relationships and Indemnities (DIRRI) were provided for RAPL and RAHPL with their respective first circulars to creditors dated 29 October 2012 and 9 November 2012. These DIRRI's were also tabled at the Company's respective first meetings of creditors.

Please find enclosed as Appendix A an updated DIRRI for both RAPL and RAHPL. The changes made do not in our opinion impact our independence or our ability to comment upon the transactions included in this report.

² www.deloitte.com/view/en_AU/au/services/financial-advisory/restructuringservices/insolvency-matters/retail-adventures

4 Background Information

4.1 Incorporation, Registered Office and Corporate Structure



4.2 History of the Company

The following table shows the history of RAPL and the RAPL business.

1993	1993: Millers Retail established, the future RAPL business was the discount arm of Millers Retail
2005	2005: The ADR Group was established following the purchase of the Warehouse and the Millers Discount Variety Group by private investors CHAMP and Catalyst
2009	20-Jan-09: Receivers and Managers and VA separately appointed over the ADR group
	17-Mar-09: RAPL Incorporated with Jan Cameron as the Company's sole Director and secretary
	23-Mar-09: ADR Group purchased by RAPL
	23-Mar-09: Robert John Hastings appointed Director of RAPL
	26-Oct-09: Bruce Robertson Irvine appointed Director of RAPL
2010	27-Nov-09: Robert John Hastings resigns as Director of RAPL
	3-Dec-10: Penny Jane Moss appointed Director and secretary of RAPL
2011	2011: KPMG engaged to undertake a cost reduction review
	2-Aug-11: Norman Leslie Draper appointed Director of RAPL
2012	22-Jul-12: Bruce Robertson Irvine resigns as Director of RAPL
	10-Sep-12: Penny Jane Moss resigns as Director and secretary of RAPL
	10-Sep-12: Norman Leslie Draper resigns as secretary of RAPL
2013	26-Oct-12: Voluntary Administrators Appointed
	11-Feb-13: Sale of business contracts exchanged with DSG
	13-Mar-13: Sale of business completed

New directors/secretaries

Resignation of directors / secretaries

RAPL is a privately owned Australian Company which was incorporated on 17 March 2009. The business of RAPL began as the discount arm of Millers Retail and supplies products targeted at value conscious customers. This business was purchased from Millers Retail by private equity groups, Champ and Catalyst in 2005 and became ADRT. ADRT traded for approximately 5 years before it was placed into Receivership and Voluntary Administration and ultimately liquidation. The Director purchased the business of ADRT through RAPL which is ultimately owned by Bicheno.

As shown in section 4.1 above, the RAPL business encompasses the following brands:

- Sam's Warehouse
- Crazy Clark's
- Go-Lo
- Chickenfeed.

The Company had a physical (store) presence in all Australian states and at the time of our appointment leased three high quality distributions centres in Queensland, NSW and Victoria. At the time of appointment of Administrators, RAPL employed approximately 1,266 permanent and 4,816 part time / casual employees.

RAPL originally had an expansion strategy that involved increasing the total number of stores to more than 1,000 in Australia. Head office infrastructure and staffing levels were increased to cater for the planned increased number of stores, however due to a lack of store profitability RAPL never reached this number. This resulted in RAPL being burdened with overhead costs disproportionate to the number and revenue of its stores.

KPMG were engaged in 2011 to assist RAPL with cost reduction strategies in order to improve operational efficiencies, such as supply chain logistics and product sourcing.

4.2.1 Officers

The ASIC database indicates the officeholders for RAPL and RAHPL are / were as follows. We note that the Companies officeholders have been the same at all relevant times.

Name	Position	Appointed	Ceased
Janet Heather Cameron	Director	17/03/2009	Current
Penny Jane Moss	Director	3/12/2010	10/09/2012
Bruce Robertson Irvine	Director	26/10/2009	22/07/2012
Robert John Hastings Atkins	Director	23/03/2009	27/11/2009
Janet Heather Cameron	Secretary	10/09/2012	Current
Norman Leslie Draper	Secretary	2/08/2011	10/09/2012
Penny Jane Moss	Secretary	3/12/2010	10/09/2012
Janet Heather Cameron	Secretary	17/03/2009	3/12/2010

Penny Moss remained as COO of RAPL following her resignation as a Company director on 10 September 2012.

Through the Administrators' investigations it has become apparent that Bruce Robertson Irvine was a partner of Deloitte New Zealand from 1998 to May 2009. This is now disclosed in the Administrators DIRRI (Appendix A). He ceased to be a partner at Deloitte New Zealand prior to taking up a directorship with RAPL and RAHPL.

4.2.2 Auditors

KPMG were appointed auditors of RAPL in November 2009. Grant Thornton replaced KPMG in July 2011. The FY10 and FY11 accounts were audited however they were not lodged with ASIC until 2012. Pursuant to section 319 of The Act, the FY10 Accounts were required to be lodged with ASIC by 30 November 2010 and the FY11 accounts were required to be lodged by 30 November 2011. From the records we have seen, the instructions to lodge the accounts was given to RAPL's accountants on 9 November 2012, at the request of Grant Thornton as they were obliged to advise ASIC if this was not done. The accounts were lodged with ASIC on 7 December 2012.

We note that internal communications viewed by the Administrators indicate that a member of RAPL's senior management had expressed the view that a going concern qualification in RAPL's accounts would be "lethal" and "could see every single supplier running for the exit".

Please see section 5 of this report for further information regarding RAPL's historical financial performance.

4.2.3 Security Interests

A search of the Personal Property Securities Register performed on the appointment of Administrators revealed various perfected Security Interests.

These security interests are categorised into the following:

Category	Number of registered charges
Retention of title	50
MV leases	186
Related party claims	163
Financial institution claims	2
Other claims	1
Total	402

Retention of title claims

These claims involve trading arrangements in which the creditor has supplied goods to RAPL on terms that property does not pass until the goods are paid for. The potential outcomes of such claims are: payment of the outstanding debt; return of the subject goods; settlement; withdrawal of the claim by the creditor; or rejection of the claim by the Administrators.

The Administrators received 62 claims for retention of title. These claims totalled \$14m, the outcomes have been summarised below:

Status of claim	Number of claims	Claim Value (\$'000)	Settlement Value (\$'000)
Active*	3	469	TBA
Settled	5	2,239	1,348
Withdrawn	2	2,696	-
Rejected	52	8,769	-
Total	62	14,174	1,817

All settlements have been funded by DSG as required under the licence agreement entered into between the Administrators and DSG following the Administrators' appointment.

Third party equipment leases

RAPL had equipment leases with the following third parties:

- Toyota Material Handling Australia Pty Limited
- Coates Hire Operations Pty Limited
- Toyota Finance Australia Ltd.

These creditors held security over the equipment provided under their respective lease agreements. These leases were either disclaimed or taken over by DSG as part of the sale of business.

Related party claims

Bicheno and RAHPL had security interests registered against RAPL as at the date of appointment of Administrators.

Bicheno had 162 charges registered against RAPL on the PPSR, being:

- 158 charges for motor vehicles owned by Bicheno and leased to RAPL. Please see section 9.6.2 for further details regarding these charges
- Four charges which we understand relate to money paid by Bicheno to RAPL's suppliers on behalf of RAPL. No secured claim has currently been made by Bicheno based on these charges so we have not considered their validity at this stage. These four charges are made up of:
 - Two charges for payments made to Dats Pty Ltd
 - Two charges for payments made to Testrite Pty Ltd.

RAHPL held a security interest over all of RAPL's present and after-acquired property as at the date of appointment of Administrators. This is in line with the corporate structure detailed in section 4.1 of this report and the movement of funds detailed in section 6.3 of this report.

Financial institution claims

ANZ Fiduciary Services Pty Ltd held a security interest over all of RAPL's present and after-acquired property as at the date of appointment of Administrators.

ANZ has provided bank guarantees to a number of major landlords (including distribution centres and head office). Sufficient cash was held by ANZ on our appointment to cover any exposure ANZ may have under the bank guarantees issued.

Other claims

Prepaid Services Pty Limited had a registered security interest over all of RAPL's present and after acquired property in respect of the proceeds of sale of goods supplied. Prepaid Services was a provider of pre-paid telephone cards which were on sold by RAPL.

4.2.4 Winding up Applications

There were no winding up applications outstanding as at the date of our appointment.

5 Historical Financial Performance & Position

5.1 Financial Statements

The financial year end for RAPL and RAHPL is 31 July.

To date only FY10 financial statements have been provided for RAHPL. These statements show RAHPL does not trade in its own right and is used merely as a loan vehicle between the head parent company, Bicheno and the trading entity RAPL. RAHPL also provided a number of corporate guarantees for RAPL creditors. For further information on the corporate structure please see section 4.1.

All following references to financial statements and commentary on trading performance therefore relate to RAPL only.

To date the Administrators have had access to and assessed the following Company information:

- Statutory accounts for the 16 month period ended 31 July 2010 and the 12 month period ended 31 July 2011. The FY10 accounts were audited by KPMG and the FY11 accounts were audited by Grant Thornton
- Management accounts for the 12 month period ended 31 July 2012. These accounts have not been audited
- Monthly management accounts for each month from 1 August 2011 to 31 August 2012
- Financial statements reported to the ANZ for banking and covenant compliance purposes
- Daily cash flow forecasts
- Weekly payment plans
- Invoice data gathered directly from RAPL's SAP system

RAPL's statutory and management accounts are discussed in this section. RAPL's monthly management accounts, cash flow forecasts, payment plans and invoice data are discussed in section 9 (Investigations) of this report.

5.2 Profit & Loss

5.2.1 Statutory Accounts (annual and 16 month basis)

The following is a summary of RAPL's audited Profit & Loss statements for the FY10 (both on 16 month period to 31 July 2010 and pro rata for 12 months) and FY11. The financial accounts were not audited in FY12.

\$'000	16 mths to end FY10 Audited	FY10 Prorated	FY11 Audited
Sales	985,370	739,028	679,720
Costs of goods sold	562,307	421,730	388,964
Gross Profit	423,063	317,297	290,757
Other Income	2,924	2,193	2,027
Operating Expenses	463,797	347,848	347,087
EBITDA	(37,810)	(28,358)	(54,304)
Other Income and Expenses	(19,476)	(14,607)	(19,285)
Total Profit / (Loss)	(57,286)	(42,965)	(73,589)

Our commentary in the next section is based on the management accounts as the audited accounts do not provide as much detail. The main discrepancy between the audited accounts and the management accounts relate to the treatment of depreciation, finance, foreign exchange and tax expenses.

5.2.2 Management Accounts

RAPL's management Profit and Loss statements for the FY10, FY11 and FY12 periods have been summarised below:

\$'000	All Management Accounts				
	FY10 Actual	FY11 Actual	FY11 Budget	FY12 Actual	FY12 Budget
Sales	760,966	679,720	814,138	648,214	704,424
Costs of goods sold	424,293	389,574	446,064	354,917	386,449
Gross Profit	336,673	290,147	368,073	293,297	317,975
Operating Expenses					
Store expenses					
Salaries	117,951	120,554	121,568	109,184	112,096
Occupancy expenses	102,424	96,156	74,977	97,891	103,210
Store freight	17,452	19,691	19,600	22,314	20,878
Other operating expenses	8,924	8,935	44,628	4,731	5,062
Total store expenses	246,751	245,337	260,773	234,120	241,246
Store Contribution Margin	89,922	44,809	107,300	59,177	76,729
DC expenses					
Salaries	17,818	18,990	17,583	17,781	18,294
Occupancy expenses	13,877	15,157	11,818	15,430	16,268
Other operating expenses	2,081	1,154	4,361	1,042	1,014
Total DC expenses	33,776	35,301	33,763	34,254	35,577
Head office expenses					
Salaries	20,566	21,703	22,930	19,651	25,978
Occupancy expenses	5,914	5,661	4,414	5,763	6,076
Advertising and marketing	26,258	25,429	25,918	19,724	20,537
Other operating expenses	12,750	11,496	19,014	13,005	13,136
Total head office expenses	65,488	64,288	72,276	58,142	65,727
DC & HO Operating Expenses	99,264	99,589	106,038	92,396	101,304
Total Operating Expenses	346,015	344,927	366,811	326,517	342,549
EBITDA	(9,342)	(54,780)	1,262	(33,220)	(24,575)
Depreciation and amortisation	14,399	9,539	8,194	9,812	8,722
Net Finance Expense	1,580	12,355	1,852	533	1,060
Net ForEx Expense	-	(7,083)	(6,246)	(5,310)	(5,122)
Net Tax Expense	(5,018)	(21,128)	(761)	-	-
Total Profit / (Loss)	(20,303)	(48,463)	(1,777)	(38,254)	(29,235)

Store performance metrics (as a % of sales)					
Gross profit margin	44%	43%	45%	45%	45%
Store freight	2%	3%	2%	3%	3%
Store staff costs (target 14.6%)	16%	18%	15%	17%	16%
Store & DC staff costs	18%	21%	17%	20%	19%
Store rent costs (target 12.6%)	13%	14%	9%	15%	15%
Store & DC rent costs	15%	16%	11%	17%	17%
Head office expenses	9%	9%	9%	9%	9%

The above summary of the financial performance of RAPL shows significant losses were incurred at an EBITDA and Net Profit level since the purchase of the business in 2009.

These losses have been funded in part from funding from Bicheno (ultimate parent company) and in part by suppliers and other unsecured creditors.

The business had underperformed compared to industry comparisons at not only at a gross margin level but also at an operating level and had excessive overheads for a business of its size. This is illustrated in the below table for FY12.

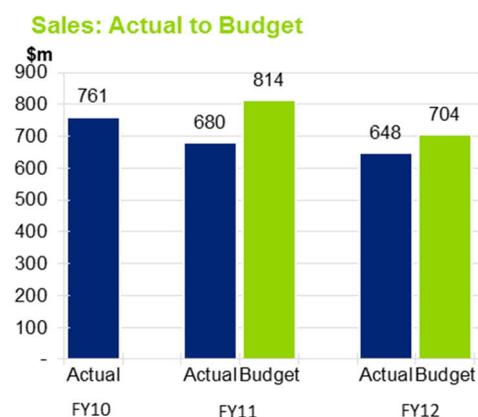
FY12 Summary	Industry comparison	RAPL	Var	Profit Impact ('000)
GM % after freight costs	46%	42%	(4%)	(27,195)
Operating wages & rent (Store & DC)	33%	37%	(4%)	(26,376)
Overheads & other operating costs	4%	9%	(5%)	(32,214)
EBITDA	9%	(4%)	(13%)	(85,786)

In the event RAPL was able to achieve industry metrics the uplift at an EBITDA level would have been \$85.8m in FY12.

Sales performance

As shown in the below graph RAPL experienced poorer than expected sales in FY11 and FY12. In addition to this, actual sales decreased every year from FY10 to FY12. This reduction in sales came at a time when the Australian retail industry was under pressure due to a strong Australian dollar, poor consumer sentiment and an increase in online shopping. However, RAPL's sales cannot be attributed solely to a weak trading environment as other participants in the discount retail sector experienced an increase in sales throughout this period.

A review of RAPL's management reports indicates that RAPL's poor sales were a combination of a number of issues that included: store presentation; lack of "at register" sales; poor store locations; a number of destination stores which lacked through traffic; stock mix and availability.



Gross Profit Margin

RAPL had a gross profit margin of 40% and 42% in FY11 and FY12 respectively after freight costs which compares unfavourable with the industry standard gross margin of approximately 46%. The impact to RAPL's profit by not achieving the industry standard gross profit margin was \$27.2m in FY12.

Store and DC Wages and rent

RAPL's wages and rent for its stores was significantly higher than their target and when the costs associated with the distribution centres are included were 37% of sales in both FY11 and FY12. This was 4% higher than industry comparisons which equated to \$26.4m in FY12.

Overheads

As mentioned in section 4.2 of this report, RAPL's earlier management intended to organically grow the business so that it has approximately 1,000 stores in Australia. This did not eventuate but RAPL continued to carry the cost of this vision. RAPL's overheads (head office expenses) were \$64.3m in FY11 and \$58.1m in FY12. This equated to 9% of total sales. In FY12 this was 5% higher than industry comparisons which equated to \$32.2m.

5.2.3 Store profitability analysis

The following table contains our profitability analysis of RAPL's stores including those closed prior to our appointment.

\$000's	Top 50	51-100	101-150	151-200	201-240	License agreement stores/sale	Non license stores	Number of stores at date of VA	Number of stores closed pre VA	Total FY12
Sales	162,473	111,557	90,007	85,501	71,861	521,399	36,064	557,464	90,750	648,214
COGS (including freight)	91,748	64,915	51,694	49,909	42,713	300,980	21,194	322,174	55,057	377,231
Gross profit	70,725	46,642	38,313	35,592	29,148	220,419	14,871	235,290	35,693	270,983
<i>Gross profit margin %</i>	<i>44%</i>	<i>42%</i>	<i>43%</i>	<i>42%</i>	<i>41%</i>	<i>42%</i>	<i>41%</i>	<i>42%</i>	<i>39%</i>	<i>42%</i>
Salaries	24,160	17,195	15,386	14,590	13,161	84,493	7,019	91,512	17,673	109,184
Occupancy	20,160	14,713	12,760	13,412	13,821	74,866	6,742	81,608	16,283	97,891
Other	1,087	759	601	609	586	3,642	311	3,953	777	4,731
Store expenses	45,407	32,667	28,748	28,611	27,568	163,001	14,072	177,073	34,733	211,806
Store contribution margin	25,318	13,975	9,565	6,980	1,581	57,419	798	58,217	960	59,177
Store #'s	50	50	50	50	40	240	28	268	146	414
CM per store	506	279	191	140	40	239	29	217	7	143
<i>CM as a % of sales</i>	<i>16%</i>	<i>13%</i>	<i>11%</i>	<i>8%</i>	<i>2%</i>	<i>11%</i>	<i>2%</i>	<i>10%</i>	<i>1%</i>	<i>9%</i>
<i>% of total CM</i>	<i>43%</i>	<i>24%</i>	<i>16%</i>	<i>12%</i>	<i>3%</i>	<i>97%</i>	<i>1%</i>	<i>98%</i>	<i>2%</i>	<i>100%</i>
<i>Salaries as % of Sales</i>	<i>14.87%</i>	<i>15.41%</i>	<i>17.09%</i>	<i>17.06%</i>	<i>18.31%</i>	<i>16.21%</i>	<i>19.46%</i>	<i>16.42%</i>	<i>19.47%</i>	<i>16.84%</i>
<i>Occupancy as a % of stores</i>	<i>12.41%</i>	<i>13.19%</i>	<i>14.18%</i>	<i>15.69%</i>	<i>19.23%</i>	<i>14.36%</i>	<i>18.69%</i>	<i>14.64%</i>	<i>17.94%</i>	<i>15.10%</i>

The 146 closed stores are made up of stores that were closed prior to the appointment of Administrators. The non-license stores are the stores that were not licensed to DSG under the license agreement entered into following the Administrators appointment. Given their financial performance, the Administrators determined to close all of these stores.

It is important to note that the above analysis was undertaken upon our appointment as Administrators and should not be taken as being reflective of current trading performance under DSG management. Also, additional stores were handed back to the Administrators during the licence period and subsequently closed.

As shown in the above table, a large portion (43%) of RAPL's contribution margin came from its top 50, or top 12% of stores. This contribution margin largely diminished until the last 68 stores contributed only 2% of the business's contribution margin. The contribution margin for the top 50 stores was almost double that of the second 50 stores.

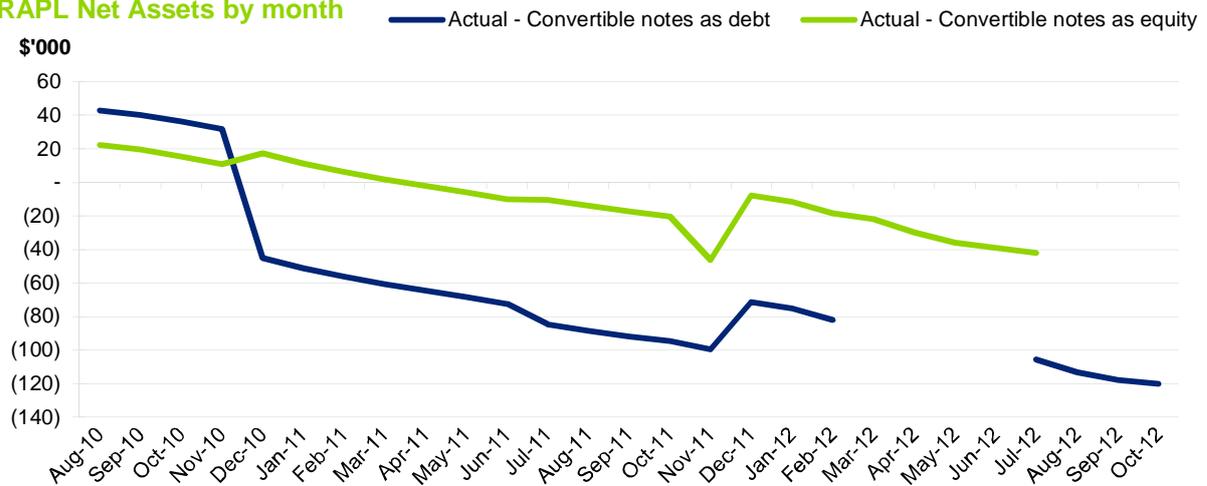
RAPL's management have advised that their target employee costs to sales was 14.6% and the target occupancy expense as a percentage of sales was 12.6%. RAPL's top 50 stores are the only stores that meet these targets.

5.3 Balance Sheet

RAPL's balance sheet as at the end of FY10, FY11 and FY12 is summarised below:

\$'000	As at 31 July 2010	As at 31 July 2011	As at 31 July 2012
	Audited	Audited	Mgmt
Cash and Cash Equivalents	18,467	17,334	6,589
Inventory	105,838	93,421	86,865
Debtors and Prepayments	3,171	3,993	4,354
Total Current Assets	127,476	114,748	97,808
Property, Plant and Equipment	34,051	35,028	28,608
Tax Asset	-	-	-
Total Non-Current Assets	34,051	35,028	28,608
Total Assets	161,527	149,776	126,416
Trade Creditors	66,846	90,536	65,948
Current Loans and Borrowings	91,755	-	-
Other Current Liabilities	24,640	19,651	31,765
Total Current Liabilities	183,241	110,187	97,713
Non-Current Loans and Borrowings	-	85,550	49,661
Other Non-Current Liabilities	14,583	21,540	21,256
Total Non-Current Liabilities	14,583	107,090	70,917
Total Liabilities	197,824	217,277	168,630
Net Assets / (Deficiency)	(36,297)	(67,501)	(42,215)
General performance metrics			
Working Capital Surplus / (Deficiency)	(55,765)	4,560	94
Current Ratio	0.70	1.04	1.00
Quick Ratio	0.12	0.19	0.11
Inventory turnover (times per year)	4.0	4.2	4.1
Inventory turnover days	92	88	89
Inventory as a % of current assets	83%	81%	89%

RAPL Net Assets by month



The above graph shows that from March 2011, RAPL did not experience a month end in which it had positive net assets. It also shows how the treatment of a portion of Bicheno's initial investment in RAPL, being the convertible notes portion, impacts RAPL's net asset position. These convertible notes were treated as debt when reporting to the bank and equity when reporting internally.

5.3.1 Working Capital

Working capital is a financial measure calculated as current assets minus current liabilities and shows whether an entity has enough liquid assets to cover its short term debts. This may also be referred to as an entity's operating liquidity. It is generally best if an entity has working capital greater than \$0, however, working capital that is too high may indicate excessive inventory is being held and / or that the entity is not reinvesting its cash in the most productive way. RAPL had a working capital deficiency as at 31 July 2010 which improved in FY11 but then worsened again in FY12 and FY13. A considerable amount of RAPL's working capital (81% to 89%) was inventory and thus less liquid.

5.3.2 Current Ratio

The current ratio shows working capital in a ratio format, i.e. instead of current assets minus current liabilities the current ratio is calculated as current assets divided by current liabilities. Like working capital, the current ratio examines an entity's ability to pay off its short-term debt obligations. The higher the value of the ratio, the more able RAPL is to meet its short-term debts.

RAPL's current ratio was 0.7 at 1 July 2010, 1.04 at 31 July 2011 and 1.0 at 31 July 2012. This compares with the retail industry standard of 1.60 as the majority of the current assets are usually inventory which take time to turn into cash (industry average 101 days). In RAPL's case inventory represented 80% of current assets, therefore a current ratio of 1.0 is inadequate as inventory realised in the ordinary course of business was not sufficiently liquid to meet short term liabilities.

Please see section 9.5.4.1 for a graphical representation of this and the below ratio for the period July 2011 to July 2012.

5.3.3 Quick Ratio

The quick ratio is another tool used to assess an entity's ability to pay its debt in the short term and is calculated as current assets excluding inventory divided by current liabilities. As can be seen from the formula the quick ratio assesses an entity's ability to pay its current liabilities from its most liquid assets or, as the name suggests, quickly. RAPL's quick ratio of 0.11 to 0.19 may be considered low, thus indicating that RAPL may have encountered difficulty in paying its short term debts if it was unable to realise stock at its balance sheet level quickly.

RAPL's quick ratio was 0.12 at 31 July 2010, 0.19 at 31 July 2011 and 0.11 at 31 July 2012. This compares with the retail industry average of 0.43 which is 4 times higher than RAPL's ratio. This suggests that in order for RAPL to meet its current liabilities as and when they fell due for payment it was reliant on the realisation of its inventory as it did not have sufficient other current assets. Any shortfall in sales would be likely to have a severe impact on RAPL's ability to meet its liabilities without external support.

5.3.4 Inventory / stock management

RAPL had an inventory turnover of 92 days in FY10, 88 days in FY11 and 87 days in FY12. While stock turnover was better than the industry average of 101 days, the gross margin achieved for stock was significantly below the industry average and direct competitors, and was insufficient to meet the operating and overhead costs of the business.

5.4 Cash flow statement

Set out below are the sources and applications of funds for FY09 to FY11:

\$'000	16 mths to end FY10	FY11	FY12
	Audited	Audited	Mgmt
Cash receipts from customers	1,085,349	748,934	655,619
Cash paid to suppliers and employees	(1,071,406)	(759,392)	(690,180)
Interest received	483	237	96
Interest paid	(2,190)	(767)	(608)
Net cash from operating activities	12,236	(10,988)	(35,073)
Acquisition of business net cash acquired	(87,966)	-	-
Acquisition of property, plant and equipment	(11,123)	-	-
Payment for property, plant and equipment	-	(10,517)	(3,391)
Net cash used in investing activities	(99,089)	(10,517)	(3,391)
Proceeds from issue of share capital	8,000	-	-
Proceeds from issue of convertible notes	68,000	-	-
Proceeds from related party borrowings	29,320	20,373	27,719
Net cash from financing activities	105,320	20,373	27,719
Net increase in cash and cash equivalents	18,467	(1,132)	(10,745)
Cash and cash equivalents at beginning of period	-	18,467	17,335
Cash and cash equivalents at end of period	18,467	17,335	6,590

The cash flow statement shows the sources of funds and how it was spent during the financial period. RAPL's cash flow statements in FY11 and FY12 indicate that it was not able to fund its trading liabilities from its receipts during the same period without significant support from related entities.

6 Directors' Report as to Affairs (RATA) - RAPL

6.1 Summary

Under section 438B of the Act, the director/s are required to provide a RATA for RAPL as at the date of our appointment, within five business days or such longer period as the Administrators allow.

The Director provided the RATA for RAPL on 5 November 2012.

The RATA, together with the respective accompanying schedules, may be inspected at the Administrators' office by contacting Teresa Chan on telephone number (02) 9322 3834.

The RATA represents a snapshot of the asset and liability position of RAPL, as prepared by the Director showing the book value of assets and liabilities as recorded in RAPL's financial records, and the Director's views as to the estimated realisable value of RAPL's assets.

The RATA submitted by the Director of RAPL has been summarised below. Please note that the book values shown in the RATA do not reflect actual recoveries or likely returns to creditors.

	Note	Book Value (\$)	Director's ERV (\$)
Assets			
Interest In Land	6.1.1	n/a	n/a
Sundry Debtors	6.1.2	699,533	-
Cash on Hand and at Bank	6.1.3	1,802,905	1,802,905
Stock	6.1.4	101,205,920	45,542,664
Plant & Equipment	6.1.5	30,751,102	3,075,110
Other Assets	6.1.6	20,391,622	Unknown
Sub Total		154,851,082	50,420,679
Assets Subject to Security Interests	6.1.7	n/a	n/a
Less Amounts owing Security Interests		n/a	n/a
Total		154,851,082	50,420,679
Liabilities			
Priority Creditors		n/a	n/a
Employee entitlements	6.1.8	(25,309,790)	(25,309,790)
Secured Creditors	6.1.9	(80,491,785)	(80,491,785)
Priority and Secured liabilities		(105,801,575)	(105,801,575)
Available to unsecured creditors		49,049,507	(55,380,896)
Unsecured creditors	6.1.10	169,120,668	169,120,668
Sub Total Surplus/(Shortfall)		(120,071,161)	(224,501,564)
Contingent Assets	6.1.11	-	-
Contingent Liabilities	6.1.11	-	-
Total Surplus/(Shortfall)		(120,071,161)	(224,501,564)

We comment on the estimated realisable values included in the RATA as follows:

6.1.1 Interest in Land

RAPL does not own any land.

6.1.2 Sundry Debtors

As at the date of our appointment, RAPL had receivables totalling \$699,533, summarised as follows:

Ageing	\$	%
< 30 days	273,568	39%
31 to 60 days	-	0%
61 to 90 days	-	0%
91 to 180 days	26,255	4%
181 to 1 year	226,968	32%
> 1 year	172,742	25%
Total	699,533	100%

Debtors related to monies owed from sub-tenants in properties exited prior to our appointment and training rebates due. These debtors were included in the assets sold to DSG.

6.1.3 Cash on Hand and Cash at Bank

The RATA discloses cash at bank of \$1,802,905 as at the date of our appointment.

6.1.4 Stock on Hand

The RATA balance for stock on hand indicates that the book value of the stock at the date of appointment was \$101,205,920. The estimated realisable value of the stock was shown as \$45,542,664 or 45% of the book value. Some of this stock was subject to retention of title claims (RoT).

As at 31 July 2013 the Administrators had received 62 RoT claims, totalling \$14,174,817. Three in number and \$469,281 in value of these claims remain active. 59 in number and \$13,705,536 in value of these claims have been resolved resulting in payments being made of \$1,384,344. Further details of the RoT claims handled by the Administrators may be found in section 4.2.3 of this report.

6.1.5 Plant & Equipment

The RATA discloses \$30,751,102 in plant and equipment owned by RAPL. The RATA discounts the value of this plant and equipment by 90%, i.e. to 10% or \$3,075,110. We engaged Slattery's Auctions to undertake a desktop valuation based on the Company's asset register. They advised that the Director's estimates were reasonable.

6.1.6 Other Assets

The RATA discloses other assets of \$20.39m, being prepayment for goods. The estimated realisable value of this asset was listed as unknown. This relates to actual prepayment made to Suppliers (\$220k) and the balance represented an accounting prepayment of goods as a percentage of total value of the goods in transit or commitments made by RAPL to suppliers for goods. In most cases, no prepayment was made to suppliers.

6.1.7 Assets Subject to Specific Charges

The RATA does not disclose any assets subject to specific charges. Please refer to section 4.2.3 for details of security interests held.

6.1.8 Employee Entitlements

The RATA discloses employee entitlements of \$25,309,790 summarised as follows:

Type of Entitlement	\$
Wages	65,018
Holiday Pay (Annual Leave)	4,058,672
Long Service Leave	3,967,667
Payment in lieu of Notice	-
Redundancy	17,218,433
Total	25,309,790

The claims of the employees represent a priority claim pursuant to section 556 of the Act subject to the normal adjudication process that may result in changes to the above amounts. Please see section 8.4 of this report for further details including the current value of employee entitlements.

6.1.9 Secured Creditor

As outlined in section 4.2.3, ANZ held a fixed and floating charge over all of RAPL's assets and undertakings as at the date of appointment of Administrators.

Further to this, Bicheno also had a charge over RAPL through RAHPL. The validity of this security has been of the subject of the Administrators' investigations. For further information regarding the validity of the Bicheno security please see section 9.6.2 of this report.

6.1.10 Unsecured Creditors

The RATA details unsecured creditors of \$169.12m being:

- \$97.59m owing to trade creditors
- \$68.00m owing to RAHPL
- \$3.53m owing to statutory authorities.

Our current estimate of unsecured creditor claims totals \$155.24m:

- Trade creditors (adjusted for settlements between trade creditors and DSG/Bicheno referred to below) of \$48.28m
- Amounts paid by DSG/Bicheno to settle certain trade creditor claims of \$37.5m. This number was provided by DSG and is subject to verification by the Administrators
- Landlord claims for unpaid rent under leases of \$10.07m on the Administrators appointment
- Estimated landlord claims for future breaches of lease of \$26m . This is based on a combination of breach of lease claims by continuing and non continuing landlords in the DSG business
- Related party creditors (after adjustment for sale of business) \$28.18m
- Statutory creditors \$5.21m.

This excludes \$68m in subordinated debt owed by RAPL to RAHPL.

6.1.11 Contingent assets and liabilities

The RATA does not disclose any contingent assets or liabilities. Contingent claims would include claims from landlords for future breaches of leases referred to above.

6.2 Explanation for Company's failure

6.2.1 Director's explanation

The Director advised that the reasons for RAPL's failure were as follows:

- RAPL assumed many of the operational problems faced by its former owner, ADRT. In the first year following acquisition RAPL closed 80 unprofitable stores at a cost of \$28m and in year two closed the distribution centres in NSW and Tasmania while continuing to pay lease costs of \$6.0m per annum attributable to those stores and distribution centres.
- Supplier margins increased as supply recommenced and suppliers sought to recover past losses through increased pricing. These price differentials were not eliminated by the new buying team until late 2011
- Management made the decision in 2009 to centralise buying for all brands in New South Wales and distribute goods through three distribution centres in Queensland, New South Wales and Victoria. The decision to close the Tasmanian buying office and distribution centre resulted in the once profitable Chickenfeed business becoming unprofitable losing \$5.0m per year
- Retail wages as a percentage of sales have been around 5% above market benchmarks for the past 3 years, resulting in variable cost overspends of approximately \$6.0m to \$7.0m per annum. This issue was identified by the current senior management team but efforts to reduce wage costs were unable to take effect within the time frame required to stabilise the business
- In order to preserve leases on the acquisition of the business RAPL agreed to a number of uncommercial leases at above market rents costing the business more than \$7.0m per annum.

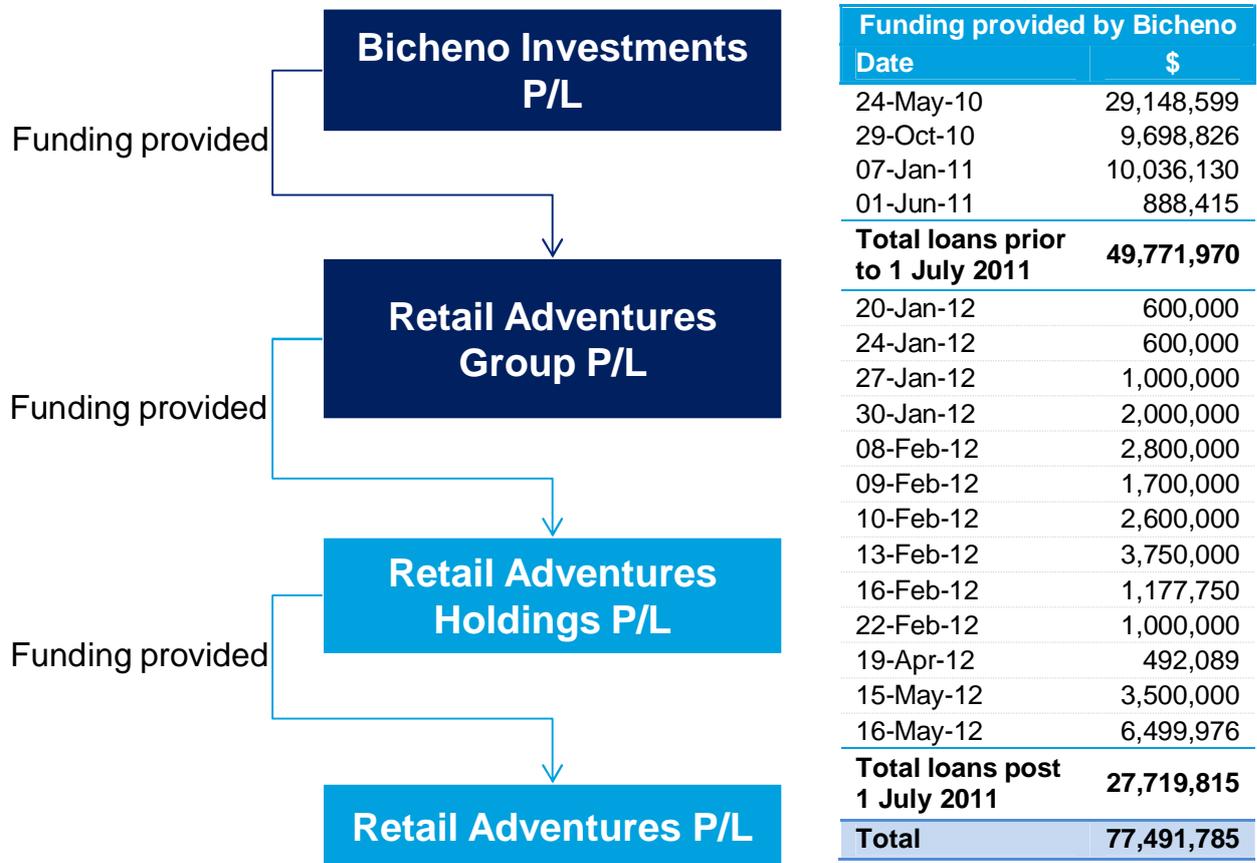
6.2.2 Administrators' opinion

Whilst we agree that the above matters were contributing factors to RAPL's poor performance, fundamentally the business never traded profitably since it was purchased in 2009 and had significant management turnover issues. The business had an excessive overhead structure and at an operating level it generated insufficient gross margin, wages were too high and the level of sales insufficient to warrant the rental structure of the stores.

While we are aware the Director and her advisers had commenced a restructuring of the business to address these issues, insufficient funding was provided to RAPL to fund the losses incurred and to implement the restructuring required.

6.3 Related entities

RAPL's related parties are identified in section 4.1 of this report. The direction and timing of the movement of funds between these related entities are set out in the following chart.



All monies were loaned from Bicheno to RAPL through RAPL's intermediate holding companies. We note that this does not include the RAHPL subordinated debt or settlement payments by DSG and Bicheno.

7 Directors' Report as to Affairs - RAHPL

To date no RATA has been received for RAHPL.

8 The Administrators' Strategy

On appointment, the Administrators took control of the operations and affairs of RAPL. Immediate operational and statutory actions were taken for the conduct of the Voluntary Administration. As discussed in section 2, in order for the Administrators to maximise the return to creditors they undertook a strategy of seeking to:

- Maximise proceeds from the sale of RAPL's assets by selling the business as a going concern (8.3)
- Minimise trading & holding costs by entering into a licence agreement with DSG (8.2)
- Minimise creditors' claims (8.4):
 - Employee claims – by seeking to secure ongoing employment for as many employees as possible, thereby reducing redundancy costs. Employee claims are priority claims under section 556 of the Act and rank ahead of unsecured creditor claims and ahead of secured creditors from recovery of circulating assets (usually cash, stock and debtors)
 - Landlord claims – by seeking to maximise the number of leases assigned to a purchaser, thereby reducing landlord claims for breach of lease such as make good, re-letting costs and lost rent.
- Identify potential actions and recoveries that may be available to a liquidator should one be appointed (section 9).

8.1 Administrators' Issues on Appointment

As at the date of appointment RAPL was trading 268 stores. The following short term issues were present:

- RAPL had and was trading at a significant loss. Based on the FY12 management accounts, RAPL had an EBITDA loss of \$33.2m. This equates to approx. \$2.8m per month. The secured creditor and ultimate shareholder, Bicheno was not willing to provide funding support without the implementation of a licence agreement
- A requirement for immediate funds to fund short term rent, transport, stock, customs, utilities and freight, over and above the expected income in November 2012. Including forward commitments for stock required to trade through December 2012, we estimated that the funding requirement could be as high as \$40m. Whilst these funds could be recovered during the Christmas trading period, the Administrators did not have funding to incur these liabilities
- Immediately on appointment there was only \$1.8m available in RAPL's bank account. This was only sufficient to cover the first week's wages and associated employee costs such as pay as you go withholding tax, superannuation contributions, payroll tax and insurance
- Without third party support, the Administrators would have had no option but to start an immediate winding down process of the business to avoid incurring further losses.

8.2 Licence Agreement

Following their appointment, the Administrators entered into a licence agreement with DSG. DSG is a related entity of RAPL, controlled by the same ultimate shareholder and Director as RAPL. The licence agreement granted DSG the right to operate the business of RAPL.

The Administrators' assessment was that the licence agreement provided the following benefits to creditors compared to a wind down alternative:

- The business continued to trade as a going concern, thus preserving the value of the business for the benefit of creditors and an ongoing customer for suppliers
- The Administrators were not liable for any losses incurred in continuing to trade the business and therefore funds available to creditors would not be depleted by such losses
- DSG provided sufficient funds to stabilise the business. This included all short term funding requirements for rent, wages, stock, customs, freight, transport and utilities
- DSG funded the prompt payment of employee entitlements paid to all staff made redundant during the licence period.

This agreement provided time for:

- the Administrators to run a sale of business process
- the Administrators to conduct their investigation into the affairs of RAPL
- the Director or others to propose a DOCA.

The key terms of the Licence Agreement were as follows:

- The obligation to fund trading costs and any trading losses would be absorbed by DSG
- DSG was required to provide sufficient funds to the Administrator to meet employee entitlements for terminated staff and ongoing rent, wages and other outgoings. These funds were to be provided in advance on an accruals basis
- All employees that were made redundant were to be paid their full entitlement within 2 weeks of their last day (subject to the employee verifying the amounts owed to them)
- RAPL continued to own all stock, existing and new
- Minimum stock levels of \$70m had to be maintained at all times
- RAPL remained the tenant of all leases unless otherwise assigned or disclaimed
- RAPL remained the employer of the staff unless otherwise terminated
- The Administrators had the ability to terminate the licence agreement at certain milestones without cause or at any time with cause.

8.3 Sale of Business Process

A sale of business process was commenced on 19 November 2012. The campaign ran over a period of 12 weeks to ensure that the market was explored fully and interested parties were given sufficient time to undertake their due diligence. Below is the timeline of the sale process.



Following a national advertising campaign we were contacted by 15 parties who expressed an interest in various parts of the business.

Two non-binding indicative offers and price guides for the business as a whole were received and one expression of interest in RAPL's property / lease portfolio. Interested parties were short listed and proceeded to undertake due diligence.

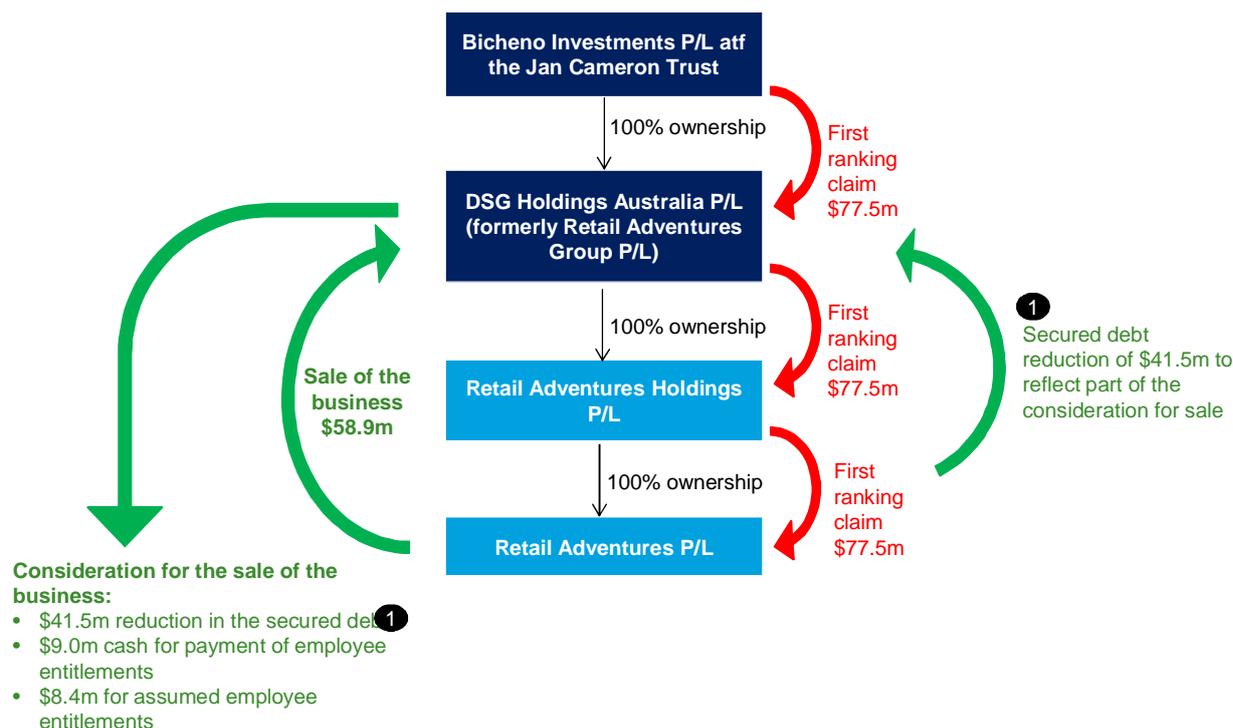
Of the expressions of interest for the business as a going concern, DSG's was the highest offer and ensured the continued employment of RAPL's employees. Contracts were exchanged on 11 February 2013 for the sale of the business of RAPL to DSG for \$58.9 million.

The terms of the sale required the Administrators to seek Court approval of an extension of the convening period for the second meeting of creditors for 180 days to allow sufficient time for negotiations to take place for leases, supplier contracts and employees to be transitioned to DSG.

Key terms of the sale were:

- Purchase price of \$58.9m subject to adjustment for employee entitlements assumed and monies pre-paid to the Administrators for stock and redundancies payments
- All employees entitlements to be assumed or paid by DSG
- A licence arrangement would continue, allowing the business to be traded while the remaining leases, supplier contracts and employees were transitioned to DSG
- DSG would make employment offers to RAPL's employees when 85% of ongoing premises had been secured unless that threshold was waived by DSG
- The Administrators would retain sufficient cash to complete their investigations and prepare their s439A report to creditors
- The balance of the purchase price was to be applied against RAHPL/DSG's secured debt but preserving the ability of a liquidator to challenge the validity of that secured debt. In the event that RAHPL/DSG's secured debt is challenged by a liquidator and thereby reduced below the adjusted purchase price, DSG may be required to make a cash payment to the Administrators to a maximum of approximately \$13.8m less any liquidation dividend otherwise payable to DSG or its related entities
- DSG provided the Administrators with first ranking security for the potential cash payment and the employee entitlements of RAPL's employees. This was required by the Administrators in order to protect the interests of unsecured creditors and the entitlements of any employees who are not offered comparable employment with DSG or who do not accept an offer of employment from DSG.

The consideration for sale of the business has been shown graphically below:



Note: The above is subject to adjustment following finalisation of the employment of all staff.

8.4 Reduction in Creditor Claims

The sale of business is expected to result in the reduction of the following contingent claims against RAPL:

- Redundancy claims – \$13m due to DSG purchasing the business and continuing employment of RAPL staff.
- Landlord claims - \$16m due to DSG continuing the lease commitment of 183 stores. In a wind down scenario, each landlord could have a substantial claim for breach of lease including make good costs and other costs incurred to relet the various properties.

8.5 Store Closures

Prior to the appointment of the Administrators, RAPL had closed 146 stores and was in the process of closing another 39 stores. Following the appointment of the Administrators another 46 stores were closed or are planned to be closed. The following table is a summary by month of the stores closed and stores continuing during the Administration.

Number of stores	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13*	Total
Closed in month	-	27	2	8	2	-	3	12	26	-	5*	85
Closed in total	-	27	29	37	39	39	42	54	80	80	85*	85
Continuing to trade	268	241	239	231	229	229	226	214	188	188	183*	183
Total	268											

*This number is an estimate only.

Upon closure of each store the following was completed:

- Notice of the closure was given to the landlord and the lease was disclaimed
- Any stock on hand was transferred to nearby stores
- The removal of IT, point of sale systems and cash registers was arranged.

Other items of PP&E were left within the store due to their low salvage value based on advice from valuers. The sale of these items was considered uncommercial as the cost to remove and sell the items exceeded the expected proceeds from sale. Under the sale of business deed, all remaining PP&E in continuing stores was transferred to DSG.

8.6 Administrators' Receipts and Payments

The table at Appendix I provides a summary of the Administrators' receipts and payments during the period 26 October 2012 to 13 August 2013 which shows cash at bank of \$4.619m.

Cash at bank includes funds received from DSG to cover purchase commitments and liabilities incurred on behalf of DSG of approximately \$2.2m.

8.7 Employee Redundancies

From appointment to 31 July 2013, 1,123 employees have been paid entitlements of \$8.22m by the Administrators funded by DSG under the licence agreement and the sale of business deed. The Administrators expect to pay a further 100 employees a total of \$535k in entitlements from 1 August 2013 onwards. All other employees are expected to be retained by DSG.

The table below summarises the employee entitlements paid and anticipated to be paid from the date of our appointment until the second meeting of creditors.

Period	Staff #	Entitlements paid (\$000)							
		AL	LSL	PILN	Redundancy	TOIL	Deductions	Arrears of wages	Total
Oct-12	-	-	-	-	-	-	-	-	-
Nov-12	72	170	167	181	434	4	(0)	2	957
Dec-12	394	701	568	501	1,822	6	(19)	3	3,582
Jan-13	111	141	82	9	61	1	(3)	2	293
Feb-13	92	140	79	87	370	5	-	0	681
Mar-13	118	171	131	47	274	2	(3)	6	626
Apr-13	51	67	5	-	71	0	(3)	-	141
May-13	139	129	61	38	321	2	(1)	2	552
Jun-13	77	130	166	30	411	3	(4)	0	736
Jul-13	69	130	150	18	350	1	(2)	1	648
Aug-13 On	100	93	96	96	247	2	-	-	535
Total	1,223	1,872	1,505	1,007	4,359	27	(35)	17	8,751

9 Investigations

9.1 Summary of Investigations

The following table summarises our investigations and the potential causes of action that would be available to a liquidator if creditors resolve to wind RAPL up and a liquidator is appointed:

Type of Claim	Potential Defendants	Value of Claim (\$'000)	Likely Return (\$'000)		Section of the Act	Further Commentary
			High	Low		
Unfair Preferences	Various creditors, suppliers, related entities	50,120	32,578	22,554	Section 588FA	Section 9.6.1
Uncommercial Transaction	Bicheno	-	-	-	Section 588FB	Section 9.6.3
Other voidable transactions (validity of security)	RAHPL	49,770	13,813	-	Section 588FA	Section 9.6.2
Insolvent Trading	Directors, RAHPL, DSG	48,284	31,385	19,314	Sections 588G, 588V	Section 9.7
Total		148,174	77,776	41,868		

To be successful in any of the above claims, a liquidator would need to demonstrate that RAPL was insolvent when the transactions were entered into or that RAPL became insolvent as a result of the transactions. Please see section 9.5 of this report for further information regarding the solvency of RAPL. Any recovery would also be subject to any relevant defences which may be available to those claims and the capacity of the defendants to meet any judgment.

9.2 Introduction

Section 438A (a) of the Act provides that as soon as practicable after an administration begins the Administrators must investigate the company's business, property, affairs and financial circumstances.

Pursuant to Regulation 5.3A.02 the Administrators are also required to investigate and report on any possible recovery actions that may be available to a liquidator, should creditors resolve that the company be wound up.

Creditors should be aware that a dividend will only be payable from one of the following two scenarios:

1. The creditors resolve to accept a proposed Deed of Company Arrangement; or
2. If the companies are wound up, from the net proceeds of successful recovery actions in respect of insolvent trading and voidable transactions.

The following sections outline the various causes of action that may be available to a liquidator and the potential value of the recoveries, subject to the defendants having the ability to meet any orders for compensation and the costs of the litigation.

An explanation of the possible offences, insolvent and voidable transactions that a liquidator can pursue is attached at Appendix B. This information sheet has been prepared by the Insolvency Practitioners Association (IPA) and is intended to reduce the amount of generic information included as part of the body of this report.

Creditors who are not familiar with the general nature of offences and actions available to a liquidator should refer to the appendix for explanations. If further explanation is required of the material contained in Appendix B or of our investigations, creditors should contact us.

9.3 Report to ASIC

Pursuant to section 438D of the Act the Administrators are required to complete and lodge a report with ASIC if it appears that a past or present officer of a company may have been guilty of an offence in relation to that company or may have been guilty of negligence, breach of duty or breach of trust in relation to the company. Any report lodged pursuant to Section 438D is not available to the public.

On 21 March 2013, we lodged a confidential report to ASIC pursuant to section 438D of the Act. ASIC have reviewed this report and have requested further information in relation to that report.

Creditors should note that it is not an Administrators', nor a liquidators' role to commence proceedings against directors and officers for offences under the Act. Administrators and liquidators may report their findings to ASIC which will then consider and take any appropriate action.

If the Companies are wound up, a liquidator has the right to commence civil actions that are in the creditors' best interests.

9.4 Sources of information

We have relied on the following sources of information to undertake our investigations, prepare this report and formulate our opinions:

- Books and records of the Companies
- Publicly available information – ASIC, PPSR, property searches, media
- Information provided by the various advisors of the Companies
- Information provided by the Companies creditors
- Discussions with the Director, former directors, officers and management of the Companies.

While the Administrators have no reason to doubt any information contained in this report, we reserve the right to alter our conclusions should the underlying data prove to be inaccurate or materially change from the date of this report.

9.4.1 Books and Records

Pursuant to Section 286 of the Act, a company must keep written financial records that correctly record and explain its transactions, financial position and performance and would enable true and fair financial statements to be prepared and presented in accordance with the accounting standards.

Failure by a company to maintain books and records in accordance with section 286 of the Act provides a rebuttable presumption of insolvency of the company. This, however, only applies in respect of a liquidator's application for compensation for insolvent trading and other actions for recoveries pursuant to part 5.7B of the Act from related entities.

In our opinion, RAPL's books and records have been maintained in accordance with Section 286 of the Act.

9.5 Proving Insolvency

9.5.1 The date of insolvency

We are of the opinion that RAPL may have been insolvent for the period 1 July 2011 to 26 October 2012, being the date that RAPL was placed into voluntary administration and was insolvent at least for the period from May 2012 until 26 October 2012. This period from 1 July 2011 until 26 October 2012 will hereafter be referred to as the Period.

It may be possible that RAPL was insolvent prior to 1 July 2011, however the transactions we have identified that a liquidator would likely pursue only require insolvency to be established on or from 1 July 2011 in respect of the validity of Bicheno's security or from May 2012 in respect of insolvent trading and preference claims.

9.5.2 Tests of a company's solvency

Under section 95A of the Act a person (being a corporate or individual) is solvent "if and only if the person is able to pay all the person's debts, as and when they become due and payable". A company is therefore insolvent if it cannot pay its debts as and when they become due and payable. Proving insolvency generally involves the assessment of the presence of a range of 'indicia' of insolvency. The relevant indicia are discussed in this section.

9.5.3 Indicia of insolvency

The following indicators support a conclusion that RAPL was insolvent on or after 1 July 2011

Indicia of insolvency	Section of report
Performance Issues	
Liquidity ratios less than 1	5.3.2, 5.3.3 & 9.5.4.1
Continuing losses in every trading month except December 2011	5.2.2 & 9.5.4.2
Substantial and worsening deficiency of net assets	5.3 & 9.5.4.3
Creditor Issues	
Significant volumes of creditors outstanding outside trading terms	9.5.5.1
Pressure from creditors	9.5.5.2
Special arrangements with selected creditors including the provision of third party guarantees	9.5.5.3
Entering into payment arrangements in respect of overdue tax	9.5.5.4
Creditor management	9.5.5.5
Reporting Issues	
Inability to produce accurate budgets and forecasts	9.5.6.1
Qualification of accounts by RAPL's auditors	9.5.6.2
Late lodgement of financial accounts	4.2.2 & 9.5.6.3
Board report commentary	9.5.6.4
External Support Issues	
Withdrawal or reduction of credit insurance	9.5.7.1
Lack of any certainty that sufficient funding could be obtained to meet forecast	9.5.7.2

Source: Company records and Deloitte analysis

Each of these indicators is discussed below.

9.5.4 Performance Issues

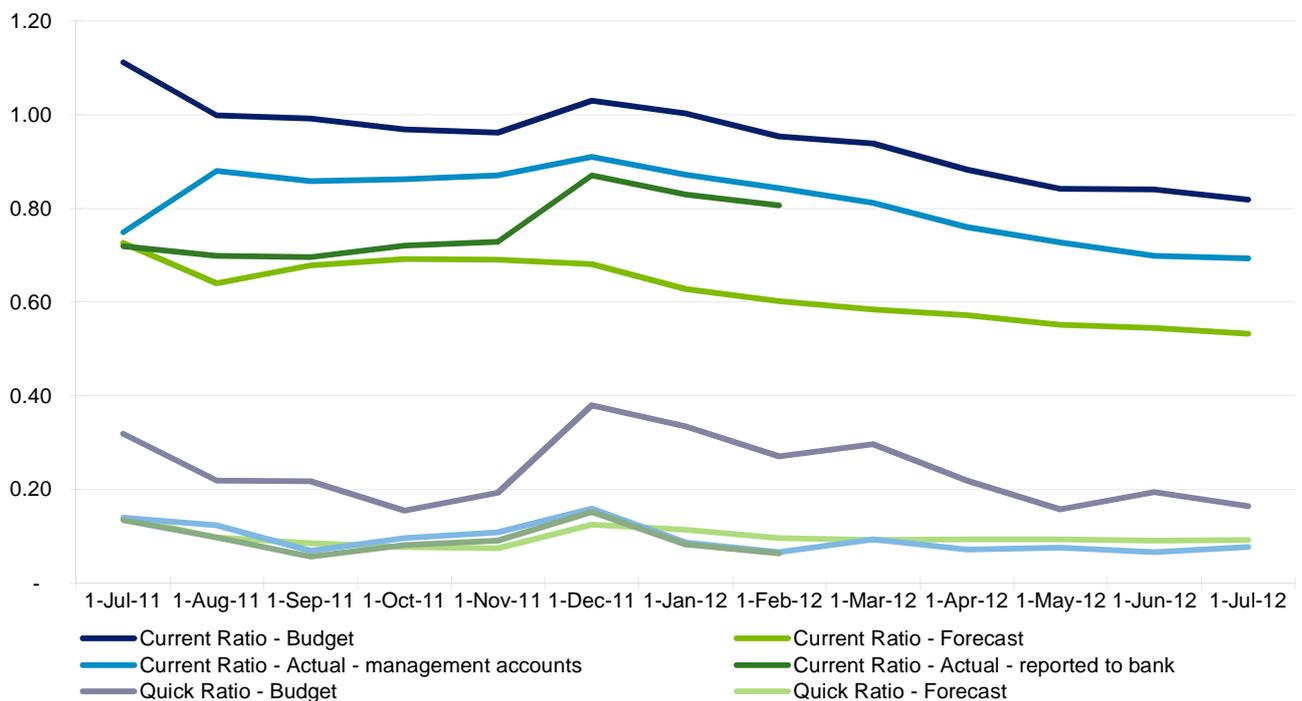
9.5.4.1 Poor liquidity ratios

As discussed in section 5.3 of this report, ratio analysis is a useful tool in assessing an entity's financial situation. When considering the cash flow of a company, the current ratio and quick ratio provide a useful insight into the company's ability to meet short term commitments.

We have undertaken an analysis in respect of the current ratio (being RAPL's current assets divided by its current liabilities) and the quick ratio (being RAPL's current assets excluding inventory divided by its current liabilities).

The following graph shows RAPL's current and quick ratios from 1 July 2011 to 1 July 2012.

Current and Quick Ratio Analysis

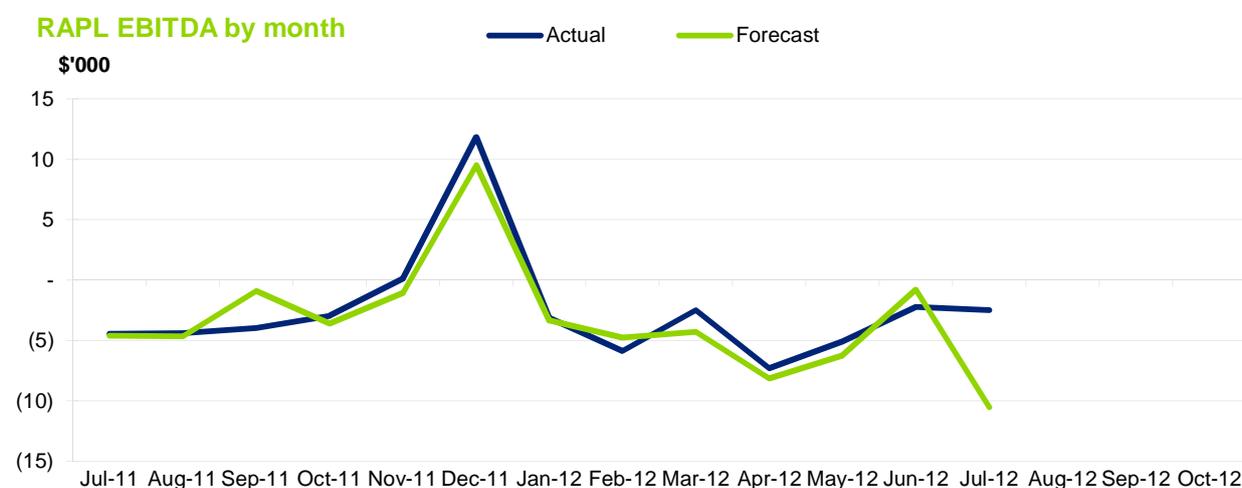


As can be seen above, RAPL's actual current ratio was below 1.0 throughout the Period (falling within a range of 0.69 to 0.91) and the actual quick ratio never reached a figure of more than 0.16 (December 2011) during the Period. We note that the data for the above graph was taken from the monthly management accounts prepared by RAPL. These differ from the statutory and management accounts that were prepared as at 31 July 2011 and 31 July 2012 (see section 5.3) and consequently provide different current and quick ratios. We have used the monthly accounts as it showed the month by month changes to the current assets and liabilities.

These ratios indicate that RAPL was suffering significant liquidity problems throughout the Period. Further, the current ratio, which includes inventory, overstates RAPL's ability to meet its current liabilities. Since 1 July 2011, RAPL's liquidity was very poor as the business was not in a position to realise enough inventory to meet its current liabilities in the ordinary course of the business (average stock turnover in FY12 was 87 days, highlighting the risk that without significant discounting, stock could not be turned into cash to meet the quantum of immediate liabilities).

9.5.4.2 Continuing losses

RAPL made losses in every month from July 2011 to October 2012 with the exception of November 2011 and December 2011 as shown in the table below.



The EBITDA figures for various periods (according to both the management accounts and financial reports for completeness) are set out in the below table which shows RAPL experienced EBITDA losses in each reporting period.

EBITDA \$k	Profit / (Loss)	
	Management Accounts	Audited Accounts
16 months ending 31 July 2010 (actual)	n/a	(37,810)
FY10 (actual)	(9,342)	n/a
FY11 (actual)	(54,780)	(54,304)
FY12 (actual)	(33,220)	n/a

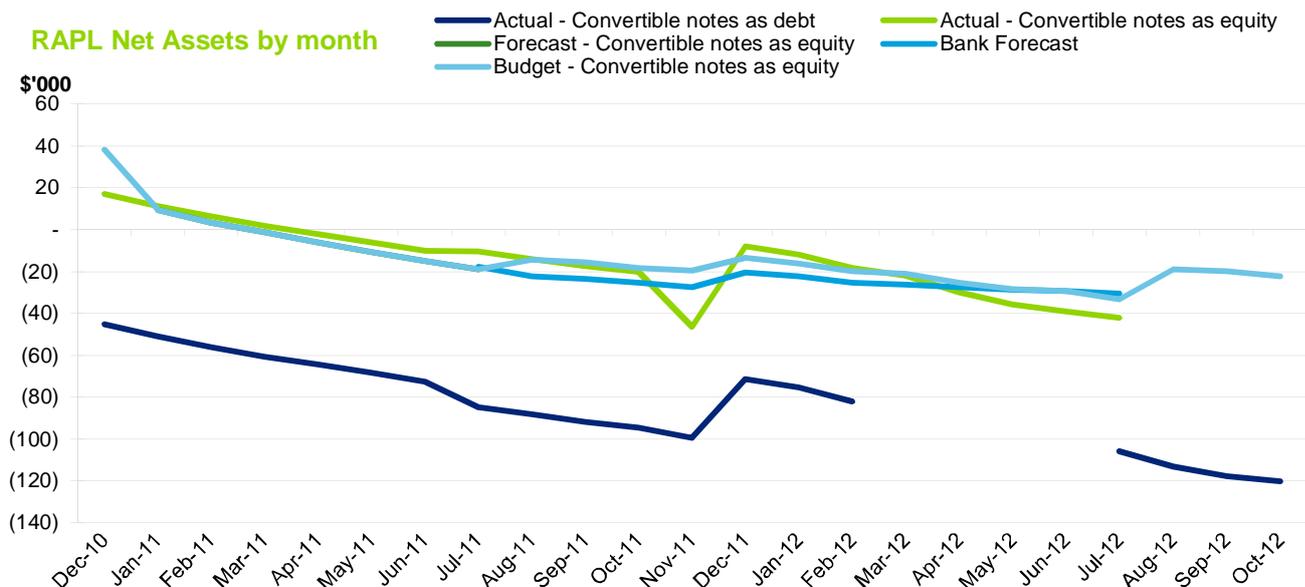
For further details regarding RAPL's historical financial performance please see section 5 of this report.

9.5.4.3 Net asset deficiencies

RAPL's net asset position continued to deteriorate from before July 2011 to the appointment of the Administrators on 26 October 2012.

A portion of RAPL's related party loans are convertible notes. These notes have the characteristics of both debt and equity. RAPL reported them internally as equity however when reporting to the Bank classified them as debt. In each case RAPL had negative net assets from April 2011.

RAPL's net asset position under both of these reporting classifications is shown graphically in the following table.



At no point from April 2011 onwards did RAPL have or was forecast to have a positive net asset position.

9.5.5 Creditor Issues

9.5.5.1 High outstanding creditor balances

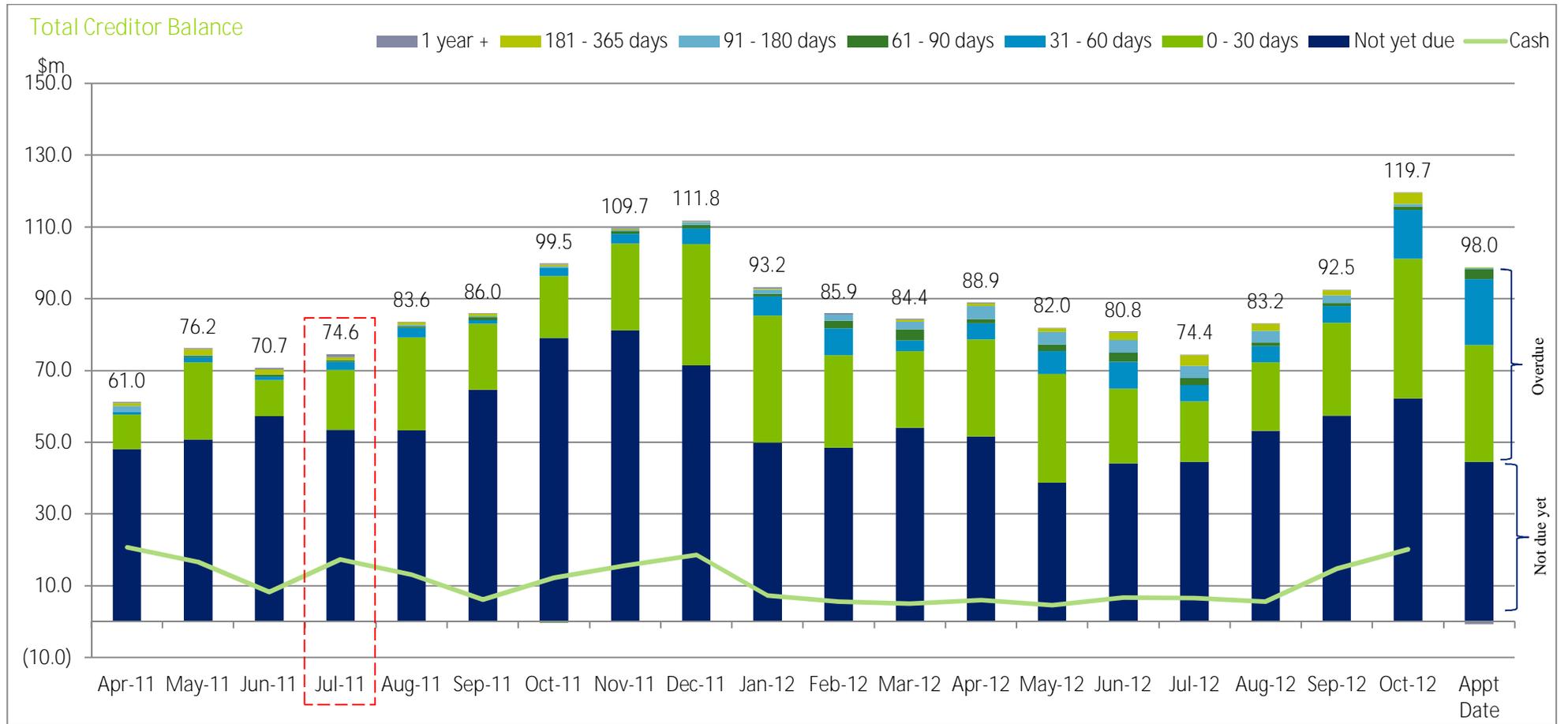
RAPL was unable to provide aged creditor listings by month. With management's assistance, raw data was extracted from RAPL's accounting system showing when each trade creditor invoice and credit note was raised and paid from the start of the business to the date of appointment of Administrators. This data was provided in excel and contained in excess of 350,000 line items.

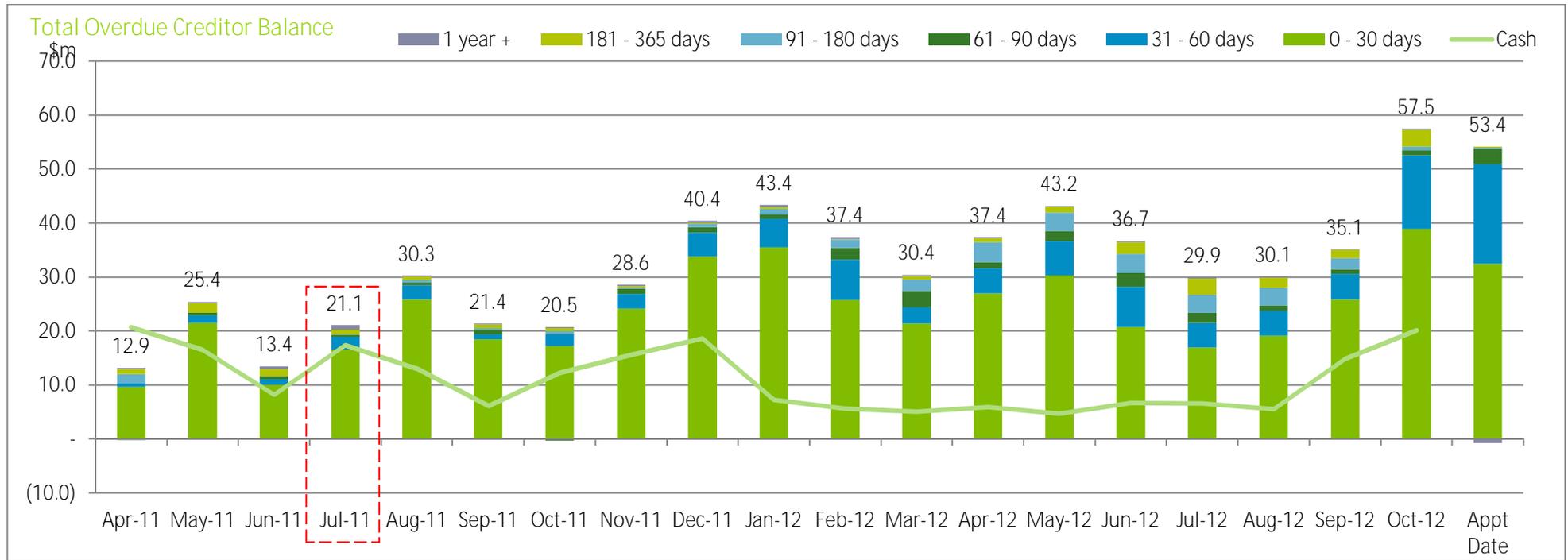
This data was then analysed in order to recreate RAPL's aged creditor listings at any point in time, thus allowing insight into RAPL's trade creditor position by vendor in the context of each vendor's individual supplier terms. This was used by the Administrators in order to determine RAPL's total creditor balances, overdue creditor balances and the ageing of RAPL's creditors for each month from July 2011 to October 2012. Where individual supplier terms were not provided it was assumed that the relevant terms of supply were governed by RAPL's standard Terms of Trade, i.e. that local suppliers were to be paid within 90 days of the end of the month in which the invoice was dated or issued.

The following tables show:

- RAPL's creditor balances as at month end including ageing information
- RAPL's available cash balance at given points in time.

Creditors should note that the first table displays RAPL's total creditors while the second displays only RAPL's overdue creditors.





These tables show that during the Period:

- RAPL's total creditor balance was at its lowest in July 2012 at \$74.39m and its highest in October 2012 at \$119.65m
- RAPL's total creditor balance averaged \$91.07m
- RAPL's overdue creditor balance was at its lowest in October 2011 at \$20.45m and its highest in October 2012 at \$57.45m
- RAPL's total overdue creditor balance averaged \$35.09m
- While there were seasonal fluctuations in both the total creditor balance and the total overdue creditor balance, both of these figures became progressively worse throughout the Period.

Comparing RAPL's cash position to overdue creditors establishes that despite additional secured loans were being made by RAHPL to RAPL during the Period, these loans were not sufficient to enable RAPL to pay all of its debts as and when they fell due.

9.5.5.2 Pressure from creditors

As part of our investigations, we engaged Deloitte Forensics to image the computer servers operated by RAPL. Through this process Deloitte Forensics gathered, sorted and categorised RAPL's emails from 1 July 2010. Analysis of these emails indicated that RAPL was subject to an extraordinary volume of creditor complaints and demands in relation to overdue accounts during the Period. A significant number of these complaints escalated to the point of stop supply and in some cases the serving of statutory demands.

In a Board Report dated 16 May 2012, management reported that "*the volume of issues being raised by Suppliers has got so intense, with threats of legal action and denial of service that DC staff have been affected and we have had a resignation in VDC of our accounts manager.*"

Later in this report we discuss the potential for a liquidator to recover payments to suppliers that were preferential in nature. We believe that creditors worth approximately \$27m took various enforcement actions to get paid i.e. stop supply.

9.5.5.3 Special arrangements with selected creditors

RAPL had defaulted on its agreed trading terms with many of suppliers. To stop enforcement action from four major suppliers, RAPL's ultimate parent, Bicheno provide various guarantees totalling \$15.0m. The following table shows the breakup of the \$15m in guarantees.

Creditor	Guarantee amount (\$000)
Testrite International Company Ltd	5,000
Intertrading Australia Pty Ltd	5,000
Dats Pty Ltd	3,000
Macvad Aust Pty Ltd	2,000
Total	15,000

9.5.5.4 Payment arrangements in respect of overdue tax

Our investigations revealed that RAPL entered into a payment plan with the ATO for GST liabilities incurred during the period March 2011 to May 2011. The amount owing for this period was \$4.7m. The payment plan involved paying the outstanding GST in 5 monthly instalments, starting in July 2011.

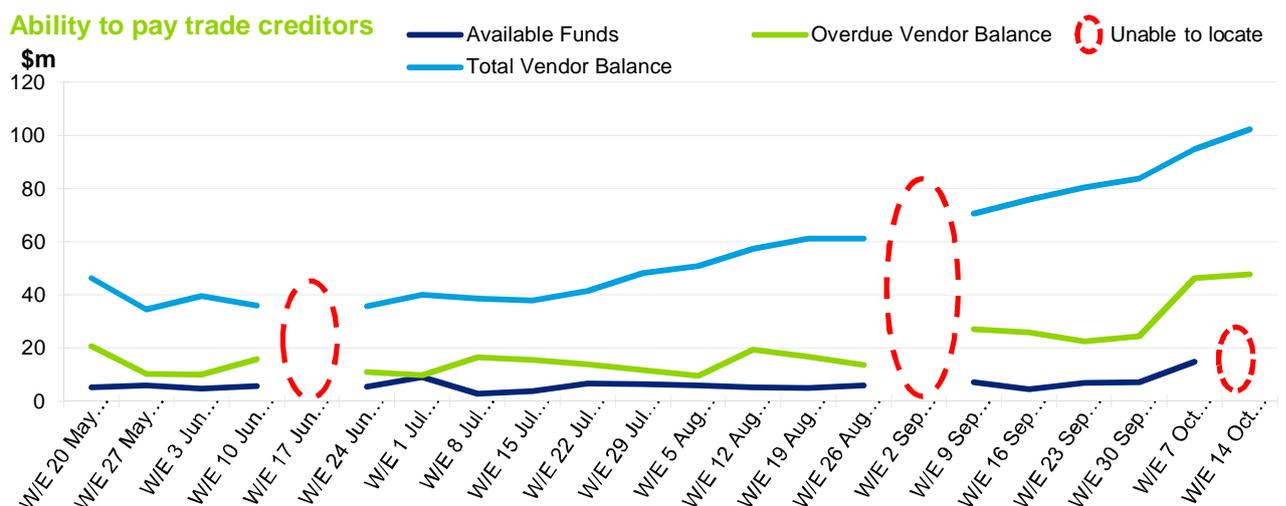
In late June 2011, RAPL contacted their financial advisors to see if the first payment under this payment plan could be delayed as it was not believed this payment could be made. The arrangement demonstrates that RAPL was extremely cash constrained even in the period before July 2011.

We note that RAPL's PAYG and FBT obligations continued to be paid on time and were not subject to the payment arrangement.

9.5.5.5 Creditor management

From 14 May 2012, RAPL implemented a weekly process whereby management would analyse the total creditors outstanding against the available funds from trading. The funds would be allocated to suppliers based on a rating system where the most important suppliers would be an 'A' supplier and the least important suppliers would be allocated a 'D' supplier rating. This was a system under which the most urgent and critical to the business creditors were paid first.

The following table shows the total creditor balance, the overdue creditor balance and the available funds to satisfy those claims. At no point did RAPL have sufficient funds to pay the total overdue balance from 25 May 2012 to the date of the appointment of Administrators. RAPL did get close to being able to pay its overdue creditor balance in the week ending 1 July 2012. We believe that that there was a spike in sales during this week.



9.5.6 Reporting Issues

9.5.6.1 Inaccurate budgets and forecasts

A review of RAPL's books and records confirms that numerous budgets and forecasts were generated, both for internal reporting purposes and for distribution to RAPL's financiers, throughout the period. However, when compared with actual financial results, the budget forecasts are shown to have been largely inaccurate and overly optimistic.

Further details and a discussion of these differences may be found in section 5.2.4 of this report.

9.5.6.2 Qualification of accounts by RAPL's auditors

RAPL's auditors issued qualified statements relating to its ongoing viability. The following are extracts from the audited accounts:

- RAPL's audited accounts for the period ended 1 August 2010 contained the following statement by the auditors, KPMG:

Without qualifying our audit opinion, we draw your attention to note 2(e) in the financial report which indicates that the company incurred a net loss of \$55,076,000 during the period ended 1 August 2010 and, as of that date, the company had a deficiency of net current assets of \$55,765,000 and a deficiency of net assets of \$36,297,000. These conditions, along with the other matters as set forth in note 2(e) indicate the existence of a material uncertainty which casts significant doubt about the company's ability to continue as a going concern without the ongoing financial support of the company's ultimate parent entity, and the success of the company's plans to achieve improved financial performance and operate profitably.

- RAPL's audited accounts for the year ended 31 July 2011 contain the following statement by the auditors, Grant Thornton:

Without qualifying our opinion, we draw attention to note 2(e) in the financial report which indicates that the company incurred a net loss of \$73,575,000 during the year ended 31 July 2011 and, as at that date, the company had a net asset deficiency of \$67,501,000. These conditions, along with other matters as set forth in note 2(e), indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

9.5.6.3 Late lodgement of financial accounts

The 2010 financial statements were signed on 14 March 2011 and the 2011 financial statements were signed on 30 November 2011 but, in each case, the accounts were not lodged with ASIC until 7 December 2012. As a result of the late lodgement of the financial statements, RAPL's deteriorating financial position and going concern qualification was not disclosed to creditors until after the Administrators' appointment.

RAPL's auditors and the lodgement of RAPL's accounts have also been discussed in section 4.2.2 of this report.

9.5.6.4 Board report commentary

The commentary contained in RAPL's Board Reports indicates that RAPL was experiencing ongoing financial difficulties during the Period.

The Board Reports discuss:

- The issues surrounding the accuracy of the forecasts
- Cash flow difficulties and pressures
- Ongoing poor sales
- Stretching creditors and creditor complaints,
- Absorption of cash due to the high levels of inventory and poor sales
- Stock obsolescence
- Rolling over of creditors
- Deferring GST
- Approaching shareholders for further funding
- Ongoing trading subject to shareholder support
- Expectation of sales growth was wildly overstated

- Creditors on stop supply
- Credit insurer withdrawing support
- Suppliers reaching credit limits
- Landlords attempting to lock RAPL out of rental premises
- Issues with suppliers.

The financial analyses set out above, in conjunction with the liquidity ratios and aged creditor analysis, provides cogent evidence that RAPL not only consistently suffered financial losses throughout the period but that the available working capital of RAPL, and external funding received, was insufficient to absorb those losses.

9.5.7 External Support Issues

9.5.7.1 Withdrawal or reduction of credit insurance

A review of RAPL's books and records reveals that a number of credit insurers either withdrew their cover or expressed serious concerns regarding the trade credit risk with respect to RAPL. For example:

- QBE cut the level of insurance cover by 50% in or around February 2011
- QBE issued a nil endorsement for credit insurance with RAPL (revised down from its previous \$375,000 credit limit) on 11 May 2011
- In or around November 2011, Euler Hermes (cited as a key local credit insurer) withdrew its coverage in light of the change to the shareholder's security arrangements, RAPL's performance against budget and the state of the retail environment.

The internal correspondence indicates that RAPL was requested, but in most cases declined, to provide letters of credit or arrange bank guarantees in order to maintain insurance coverage.

9.5.7.2 External funding uncertainty

As highlighted above, the financial records of RAPL and the Board Reports circulated to the directors confirm that there were substantial and persistent gaps in funding throughout the period. It appears that at no stage did the officers or directors of RAPL endeavour to secure any form of long-term funding agreement with Bicheno or Ms Cameron or even a funding plan which would seek to positively address those gaps as and when they arose.

This clear omission in future planning, and the financial uncertainty which it created, was highlighted in the Board Report dated 20 May 2011 in which the directors were briefed on the decision by QBE to withdraw RAPL's credit insurance coverage. According to the report, QBE's decision was at least in part due to:

"...the lack of visibility of future funding. The lack of any available banking facilities means that they are reliant on the shareholder providing ongoing support in the event of cash flow difficulties; because there are no firm commitments in this area they feel uncomfortable granting insurance cover."

In or around June 2011, various approaches were made to external financiers (including Westpac Banking Corporation (Westpac), National Australia Bank (NAB) and Australia & New Zealand Banking Corporation (ANZ)) for the purposes of obtaining a short-term seasonal working capital facility which would allow RAPL to purchase stock in anticipation of the Christmas period and cover the funding deficit which was forecast to occur in October/November 2011. RAPL also consulted KPMG in relation to the possibility of obtaining a facility secured by stock.

Of those funding options, only the possibility of obtaining a facility from ANZ appears to have remained as at 22 July 2011, with the Board Report on that date stating:

“In the event that ANZ are not willing to move forward with us we will be forced to explore other avenues to raise finance, either through asset backed lenders or mezzanine or hedge funds. These avenues would result in significantly higher expense and potentially the loss of some operational control.”

ANZ ultimately agreed to provide a seasonal facility in the amount of \$25 million conditional on a Bicheno guarantee. This facility was advanced to RAPL in October 2011 and was repayable in full on 24 December 2011. However, the Board Report dated 31 October 2011 confirms that despite drawing down the initial \$15m in October 2011, RAPL still carried forward around \$10m of overdue creditors as at the end of the month. As such, whilst the ANZ facility may have assisted RAPL to plug a short-term funding gap in October/November 2011 for the purposes of purchasing stock for the Christmas period, it had little or no impact on liquidity ratios or aged creditor issues and did nothing to assuage the endemic financial problems being sustained by RAPL during the Period.

Despite the ongoing funding shortfalls and the frequent reporting of these shortfalls to the directors of RAPL, it was not until the repayment of the ANZ facility on or around 24 December 2011 that Bicheno was called upon to provide additional funding to RAPL. On or about 20 January 2012, RAHPL agreed to lend RAPL an amount of \$27,719,815 on a secured basis which was funded by Bicheno.

The monthly drawdowns and corresponding overdue creditor balances were as follows:

Month	Amount of drawdown (\$)	Overdue Creditors (\$ at start of month)
January 2012	4,200,000	43,377,839
February 2012	13,027,750	37,399,420
April 2012	492,089	37,365,134
May 2012	9,999,976	43,192,194
	27,719,815	

As the above table indicates, the additional funding received from the shareholder had no material impact on the level of RAPL’s overdue creditors and was inadequate to enable RAPL to pay all of its debts as and when they became due and payable which is the relevant test of a Company’s solvency.

By way of illustration, the following table provides an estimate of the minimum monthly funding requirements of RAPL throughout the Period by reference to RAPL’s available funds (including its \$5m overdraft facility with ANZ) (“Available Funds”) and the overdue creditors as at the start of each month and excluding landlord creditors. The funding required is additional to the shareholder loan drawdowns that were received during that period.

Month	Overdue Creditors (start of month) (\$)	Available Funds (\$)	Funding Required (\$)
July 2011	21,068,209	4,463,167	16,605,043
August 2011	30,275,624	5,558,534	24,717,090
September 2011	21,358,614	1,044,663	20,313,951
October 2011	20,451,362	9,040,075	11,411,287
November 2011	28,557,094	5,734,730	22,822,364
December 2011	40,401,975	2,984,813	37,417,162
January 2012	43,377,839	11,815,673	31,562,167
February 2012	37,399,420	3,173,679	34,225,741
March 2012	30,398,043	4,330,438	26,067,604
April 2012	37,365,134	6,572,114	30,793,020
May 2012	43,192,194	3,701,211	39,490,983
June 2012	36,662,814	4,755,412	31,907,401
July 2012	29,908,652	6,935,170	22,973,482
August 2012	30,065,666	5,682,337	24,383,329
September 2012	35,118,256	6,768,024	28,350,232
October 2012	57,452,961	11,827,659	45,625,302

The table indicates that at no point did RAPL have sufficient funding to meet its overdue creditors.

9.6 Voidable transactions

The Act requires an Administrator to specify whether there are any transactions that appear to the Administrator to be voidable transactions in respect of which money, property or other benefits may be recoverable by a liquidator under Part 5.7B of the Act.

Voidable transactions include:

- Unfair preferences (Section 588FA)
- Uncommercial transactions (Section 588FB)
- Unfair loans to a company (Section 588FD)
- Arrangements to avoid employee entitlements (Section 596AB)
- Unreasonable director-related transactions (Section 588FDA)
- Transactions with the purpose of defeating creditors (Section 588FE(5))
- Voidable security interests (Section 588FJ)

It is important to note that such transactions are only voidable if they are considered insolvent transactions of the company. In order for a liquidator to recover any amount it would first be necessary to establish that the company was in fact insolvent at the time of the transaction or at the time when an act was done to give effect to the transaction.

Generally such actions are expensive and are likely to require Court applications. As such, should there be inadequate funds available, or the liquidators consider it uncommercial or not in the creditors' best interests, such recovery actions may not be commenced by the liquidators.

In these circumstances, creditors wishing to fund any such actions may do so. Should any funds be recovered from these actions, the creditors providing the funding may be entitled to receive their contribution in priority to other creditors.

In addition, funding may be available from a litigation funder who will generally agree to fund all legal costs including any adverse costs orders in return for a percentage of the net recoveries.

In this case, the Administrators have received a conditional offer of funding from IMF to fund compulsory examinations and a claim by the liquidator, if one is appointed, against the Director for insolvent trading. IMF may also be prepared to fund other available claims which are available to a liquidator.

IMF has proposed terms which include:

- Reimbursement of all costs it has paid or are payable by it
- 30% of the recoveries, if resolution occurs within 6 months from the date of commencement of the funding agreement and 35% of the recoveries if resolution occurs on or after 6 months after the date of commencement of the funding agreement.

IMF's proposal is subject to:

- IMF being satisfied, in its absolute discretion, that the proposed defendants will have the capacity to meet a judgment against them, including by reference to any insurance that may be applicable
- Approval of a legal costs budget
- Approval of the funding agreement by the Court or by creditors pursuant to section 477(2B) of the Act.

9.6.1 Unfair Preferences Payments (Section 588FA)

The Administrators have investigated the books and records of RAPL and are of the opinion that approximately \$50m of payments made by RAPL to suppliers would be considered as preferential in nature and a liquidator, if appointed, could commence proceedings to recover these payments. The \$50m is made up as follows:

Category	Creditors Affected	Value (\$'000s)
Deeds of Settlement	5	19,120
Payments made on 26 October 2012	39	800
Stop Supply Creditors	40	27,000
Related Entities	4	3,200
Total	88	50,120

Source: Deloitte analysis

From the analysis of unfair preferences the following should be noted:

- 32 of the 88 creditors who received \$24.84m in total are no longer creditors of RAPL as their remaining claim was either settled or assigned to DSG/Bicheno.
- 4 of the 88 creditors accounting for \$3.2m are related to the Director. The proposed DOCA contribution of \$5.5m represents only \$2.3m more than the Administrators believe would be recoverable from related parties as preference payments.

We understand that DSG has advised creditors that a liquidator would pursue suppliers for receiving preference payments. Whilst it is the role of the liquidator to recover voidable transactions, the purpose of it is to provide a fair and equitable return to all creditors. This includes the recovery of unfair preference payments.

It is also important to note that if any amount is recoverable from a creditor as a preference payment, that creditor will have a claim against RAPL for an equivalent amount in the liquidation and will participate for that amount and in respect of any other outstanding debts in any liquidation distribution.

Before commencing recovery proceedings against a creditor in respect of preference claims, a liquidator would first need to consider the following matters:

- Whether it can be established that the company was insolvent at the time the payment occurred
- Whether the creditor who received the payment is likely to have a valid defence to a preference claim
- Whether the recipient of the payment is likely to have the ability to satisfy a successful claim and any difficulties that may exist in enforcing a judgment, for example, where the relevant creditor is an overseas supplier with no assets in Australia
- Whether the costs of legal proceedings are justified by the size of the potential claim
- Whether there are sufficient funds available to undertake any proposed preference recovery action.

All of the potential preference payments were made during the 6 month period prior to 26 October 2012. Of these, \$49.1m were made in the period from May 2012 to 26 October 2012. In section 9.5 of this report, we concluded that there was evidence to establish that RAPL was insolvent from at least May 2012. We therefore consider that a liquidator would be able to satisfy the insolvency condition for a preference claim in respect of payments during at least that period.

There may be defences which are available to particular creditors to a preference claim. The two most common defences are:

- That the payment was received in good faith and the creditor receiving the payment had no reasonable grounds for suspecting that RAPL was insolvent at the time the payment was received.
- The running account defence – where goods are supplied and payments made on a running account basis, the maximum amount that can generally be recovered as a preference is the difference between the highest outstanding account balance during the 6 month period prior to the date of appointment and the outstanding account balance on the date of appointment.

It is important to note that the onus of establishing the existence of these defences rests with the creditor.

The payments which have been identified as potential preference payments by the Administrators have been categorised into four main categories, being Deeds of Settlement, payments made on 26 October 2012, stop supply creditors and related entities. In each case we have collated documentary evidence which would suggest that the recipients of these payments had sufficient knowledge that RAPL was facing financial difficulties and used various levers to obtain an unfair advantage over the whole body of creditors.

The amount of \$50m which we have identified as being potentially recoverable as preference payments takes into account possible running account defences which we have identified as part of our review.

As previously stated, IMF have made a funding proposal which may be extended to recovery actions for preference payments although we understand that a number of creditors are also clients of IMF and that IMF would not consider funding any recovery action against those creditors.

In our experience it is also common for a liquidator to seek to reach an early settlement of preference claims to avoid the time and cost of protracted litigation. In this case, we would expect that some claims would be readily susceptible to a quick resolution the proceeds of which could then be used to pursue remaining claims.

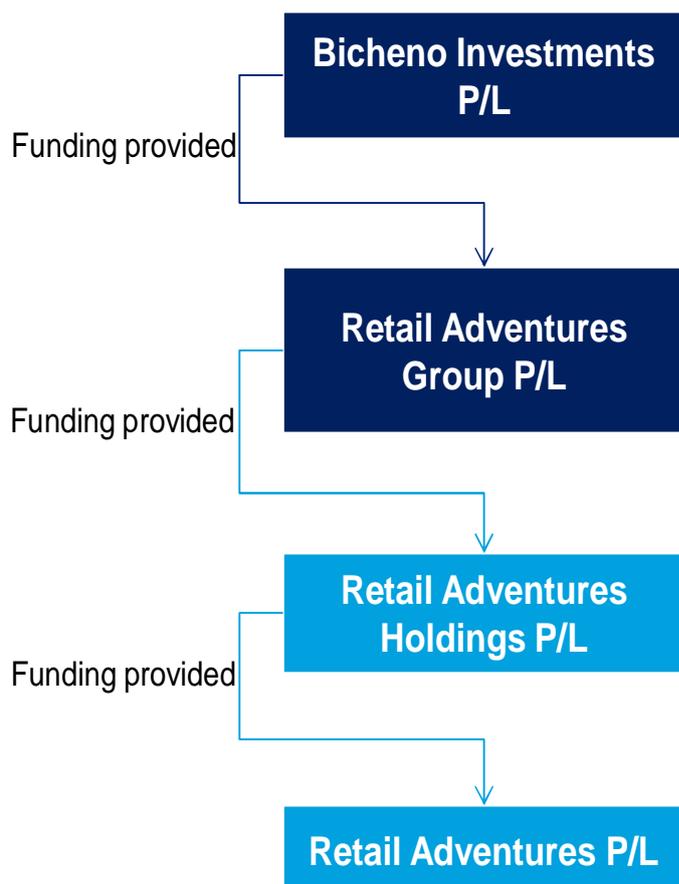
We do not currently have sufficient information to assess the capacity of creditors who may have received preference payments to repay those amounts. It is likely that some recipients will not have sufficient funds to pay any amount which may be recovered in full. This may reduce our estimated recoveries.

Based on past experience and to allow creditors to compare the outcome in a potential liquidation to the proposed DOCA, we have estimated, based on our assessment of all of the above factors that a liquidator may recover between 45% and 65% of the claims identified, less the costs of recovering those amounts.

9.6.2 Voidable Transaction - Related Party Security

Our investigations indicate that \$49.77m of the \$77.49m of the secured loans provided to RAPL could be void against a liquidator, should RAPL be wound up. This is because these loans were granted on an unsecured basis and then later secured. The Administrators believe the security to have been given at a time that RAPL may have been insolvent and may therefore potentially be voided by a liquidator. These loans would then revert to an unsecured and / or subordinated position.

Bicheno made a number of cascading loans to its subsidiaries between May 2010 and January 2012. The following is a diagram showing how the monies were lent, the date the loans were made and the amounts.



Funding provided by Bicheno	
Date	\$
24-May-10	29,148,599
29-Oct-10	9,698,826
07-Jan-11	10,036,130
01-Jun-11	888,415
Total loans prior to 1 July 2011	49,771,970
20-Jan-12	600,000
24-Jan-12	600,000
27-Jan-12	1,000,000
30-Jan-12	2,000,000
08-Feb-12	2,800,000
09-Feb-12	1,700,000
10-Feb-12	2,600,000
13-Feb-12	3,750,000
16-Feb-12	1,177,750
22-Feb-12	1,000,000
19-Apr-12	492,089
15-May-12	3,500,000
16-May-12	6,499,976
Total loans post 1 July 2011	27,719,815
Total	77,491,785

9.6.2.1 First intercompany loan of \$29.15m

This loan was provided on or about 24 May 2010 but was documented on 30 September 2010. This loan was provided on an unsecured and subordinated basis, where it would rank behind all other present and future obligations and was not due for repayment until 24 May 2015.

On 1 July 2011, there was a variation to this loan whereby the repayment date was extended to 24 May 2016 and the debt was no longer unsecured and subordinated but secured in priority to all unsecured obligations of RAPL.

As a result of the variation, RAHPL has received more than it would receive if the variation were set aside and RAHPL was required to prove as an unsecured and subordinated creditor of RAPL for this loan.

We believe that the variation may be voidable as a preferential transaction if, as we believe, RAPL was insolvent on 1 July 2011.

9.6.2.2 Second intercompany loan of \$9.70m

This loan was provided on or about 29 October 2010 and was documented on 8 November 2010. This loan was provided on an unsecured and subordinated basis where it would rank behind all other present and future obligations and was not due for repayment until 29 October 2015.

On 1 July 2011, there was a variation to this loan whereby the repayment date was extended to 29 October 2016 and the debt was no longer unsecured and subordinated but secured in priority to all unsecured obligations of RAPL.

We believe that the variation may be voidable as a preferential transaction if, as we believe, RAPL was insolvent on 1 July 2011.

9.6.2.3 Third intercompany loan of \$10.04m

This loan was provided on an unsecured basis on 7 January 2011 but was documented as a secured loan on 1 July 2011. The loan was repayable on 7 January 2016. We believe that the security in respect of this loan may be voidable on the same basis as the variations to the earlier loans.

9.6.2.4 Fourth intercompany loan of \$0.89m

This loan was provided on 1 June 2011 and was documented as a secured loan on 30 July 2011. The loan was repayable on 1 June 2016. We have not seen any documentation to confirm that this loan was advanced on a secured basis and, as such, we believe that the security in respect of this loan may also be voidable on the same basis as the earlier loans.

9.6.2.5 Impact on Bicheno's security

As discussed in section 8.2 of this report, the business of RAPL was sold to DSG for \$58.9m. At the date of sale, after adjusting for \$5.5m cash received (used to pay employee entitlements) and \$8.4m of employee entitlements assumed by DSG, the remaining purchase price of \$45m was settled by reducing in part the secured claim which flowed through the group against RAPL. This is subject to adjustment once all employees are either offered and accept employment with DSG or cease or be employed by RAPL.

If the security in respect of the four intercompany loans is found to be voidable, RAHPL/Bicheno's secured claim would be reduced by \$49.78m to \$27.72m and DSG would be required to pay a cash component of the purchase price of approximately \$13.8m. Bicheno and DSG disagree with our position but have provided us a first ranking general security agreement over the assets of DSG limited to \$13m in respect of this claim. The amount of the security is less than the potential cash component because the sale of business deed provides for the cash component to be paid in part by setting it off against liquidation dividends that would otherwise be payable to RAHPL/DSG/Bicheno. Additional security has also been provided to secure DSG's obligation to meet the employee entitlements of any employees who are not offered or decline offers of employment by DSG.

Should RAPL be wound up and a liquidator is able to obtain a determination that the security in respect of the 4 intercompany loans is void, then the liquidator would be entitled to payment/set off by DSG to the value of approximately \$13.8m or in the alternative, to enforce RAPL's rights under the GSA.

This \$13.8m is made up as follows:

Potential recovery	Amount (\$m)
Sale price	58.9
Less:	
Valid security	(27.7)
Entitlement funding	(9.0)
Employee entitlements	(8.4)
Net Proceeds	13.8

Source: Deloitte analysis

To avoid litigation and to assist the Director to formulate a DOCA proposal that was better than a liquidation scenario, the Administrators agreed to provide a position paper to the

Director/Bicheno setting out the basis for the Administrators' belief that RAPL was insolvent from 1 July 2011 and that the security in respect of the 4 intercompany loans was voidable. That position paper was provided on 5 May 2013 and contained in substance the information contained in this report concerning the date of insolvency of RAPL. The Director/Bicheno elected not to respond to the position paper. We note that neither the Director nor Bicheno was required to provide a response but as a result we are unable to inform creditors of their position other than to say that we understand that the Director/Bicheno maintain that RAPL was not insolvent from 1 July 2011 and that there are defences available to any claim by a liquidator to set aside the relevant security.

We have set out the relevant defences to a preference claim in section 9.6.1.1 above. The only relevant defence in this case would be that RAHPL entered into the transaction on 1 July 2011 by which it obtained security over RAPL's assets in good faith and in circumstances where it had no reasonable grounds to suspect that RAPL was insolvent.

Given that RAPL and RAHPL had common directors and given that the directors must be taken to have had knowledge of the financial position of RAPL as set out in this report, we consider that if it is established that RAPL was insolvent on 1 July 2011, it would be difficult for RAHPL to establish that it did not have reasonable grounds to suspect that that was the case.

9.6.3 Uncommercial Transactions (Section 588FB)

On 1 June 2011, RAPL received \$1.01m from the sale and leaseback of 66 motor vehicles from Bicheno. RAPL required funding and the books and records indicate that the Director and related parties were not willing to provide funding without security. This transaction would also provide some income to Bicheno as the lease agreement provided for an annual return of 23%. Prima facie we believe that the transaction is an uncommercial transaction for the following reasons:

- The agreed lease rate was much higher than comparable market rates
- An independent desktop valuation undertaken by Slattery's indicated that the market value of the vehicles at the time of the alleged transaction was approx. \$1.25m
- The agreement was not entered into until September 2012 with the documents back dated to July 2011.

Whilst we believe that this transaction may be considered uncommercial, we don't believe creditors have been disadvantaged as RAPL received the \$1.01m in June 2011, yet only made 1 lease repayment and the current market value of those motor vehicles is \$861k, which is much lower than the amount received.

9.6.4 Unfair Loans (Section 588FD)

Our investigations of RAPL's books and records revealed that RAPL had not made or received any loans from or to any parties which committed RAPL to extortionate terms.

9.6.5 Arrangements to Avoid Employee Entitlements (Section 596AB)

We have not identified any transactions of this nature.

9.6.6 Unreasonable Director-Related Transactions (Section 588FDA)

Our investigations have not identified any unreasonable director related transactions.

9.6.7 Transactions with the Purpose of Defeating Creditors (Section 588FE (5))

Our investigations have not identified any transactions entered into with the purpose of defeating creditors.

9.6.8 Circulating security interests created within Six Months (Section 588FJ)

A search of the Personal Property Securities Register reveals that no circulating security interests have been perfected over RAPL's assets in the six months prior to the relation back day.

9.7 Insolvent Trading (Section 588G)

9.7.1 Claim against the Director and former director

Directors have a positive duty to prevent a company from trading whilst it is insolvent (section 588G). If a director is found to have contravened section 588G he or she may be ordered to pay an amount of compensation to the company equal to the amount of loss or damage suffered by creditors as a result of the contravention.

Information about possible insolvent trading is relevant to creditors when making a decision about the future of the company as directors of the company may generally only be pursued for insolvent trading if the company is in liquidation.

In section 9.5 of this report, we have provided detailed analysis which we believe demonstrates that RAPL was insolvent from 1 July 2011 and certainly from May 2012 when the vast majority of the debts which were unpaid at the date of our appointment were incurred. Based on this, the Director and former directors of RAPL could be held liable for any debts incurred during that period that remained outstanding as at 26 October 2012, being the date of appointment of the Administrators.

The following is a summary of the debts incurred that were outstanding on the date of our appointment by the month in which they were incurred:

Pre May 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Total (\$)
517,375	613,328	3,346,615	13,939,406	27,130,603	44,618,160	7,857,378	98,022,866
1%	1%	3%	14%	28%	46%	8%	

It should be noted that 2 former directors of RAPL, Bruce Irvine and Penny Moss (the current COO of DSG) may only be liable for debts incurred during the periods that they were directors of RAPL. Mr Irvine resigned as a director on 22 July 2012 and Ms Moss resigned on 10 September 2012.

Our estimated returns to creditors detailed in sections 10 and 11 of this report assume that the insolvent trading claim is in the vicinity of \$48m compared to the debts of the \$98m incurred. The claim has been reduced to take into account the outstanding rent (\$10m) which would be treated as being incurred when the relevant leases were entered into rather than when it fell due for payment and creditor claims which have subsequently been settled by DSG/Bicheno.

Based on past experience, claims of insolvent trading are expensive and not many cases are followed through to court due to various reasons such as commercial settlements being agreed,

valid defences that may reduce the claim and the inability of the defendant to satisfy the claim. Given the inherent risks of any claim for insolvent trading we believe that a likely outcome may be in the vicinity of 45% and 65% of the claim identified less the costs of litigation.

If a liquidator chooses to pursue an insolvent trading action, creditors are prevented from taking their own action against the director(s) for compensation. If a liquidator does not choose to take any action in this regard, a creditor may commence proceedings on its own behalf but only with the consent of the liquidator or the Court.

As discussed at section 9.6 above, we have received a conditional proposal from IMF to fund an insolvent trading claim against the Director.

9.7.2 Director and Officers liability insurance

RAPL maintained directors and officers liability insurance which we believe responds to a claim that may arise for insolvent trading. The policy expired on 28 February 2013. To ensure that a potential liquidator is able to make a claim, we have lodged a notification with the insurers regarding the potential claim against the Director and former directors. Due to confidentiality restrictions I am unable to disclose the limit of the policy.

9.7.3 Defences available to the Directors

A defence is available to an insolvent trading claim under section 588H of the Act where the director can establish:

- There were reasonable grounds for the director to expect and the director did expect that the company was solvent and would remain solvent
- They did not take part in management for illness or some other good reason
- They took all reasonable steps to prevent the company incurring the relevant debts.

We understand that the Director and former directors consider that they have valid defences to any insolvent trading claim but we have not been provided with details of those defences. Based on our understanding, we believe that the directors will seek to rely on a belief that the Director/Bicheno would continue to provide funding to RAPL as required based on:

- letters of support provided by Bicheno to the directors of RAPL on 11 March 2011 and again on 24 November 2011
- confirmations provided by the Director of the Directors' continuing support for RAPL's business in some but not all meetings of directors up to and including July 2012
- the actual funding provided by Bicheno to RAPL between 20 January 2012 and 16 May 2012 as detailed in section 9.6.1.2 above
- possibly, other oral expressions of support by the Director during the period up to our appointment (we are not aware of any written commitments provided).

We consider that there are a number of factors that may restrict the ability of the directors to rely on these matters by way of defence including:

- Our investigations indicate that the letters of support were provided only to enable the directors of RAPL to sign the annual accounts at the insistence of RAPL's auditors and satisfy the auditors' qualification surrounding the going concern status of RAPL. The terms of the letters and surrounding correspondence indicates that they were intentionally drafted in a way that was intended to ensure that they did not impose any legal obligation on Bicheno to provide funding to RAPL

- There is no evidence of any request for further funding being made to Bicheno during the critical May to October period and no funding was provided after 16 May 2012 notwithstanding the rapidly deteriorating financial position
- The funding which was provided by Bicheno was inadequate to enable RAPL to pay all of its debts as and when they fell due for payment at any time. There is no evidence that Bicheno ever intended to provide sufficient funding to RAPL to enable it to bring its creditors into line with payment terms and thereby restore it to solvency
- Generally, we consider that the directors will have some difficulty establishing that throughout the Period they had reasonable grounds to expect that RAPL was solvent and would remain solvent when RAPL was in fact unable to pay all of its debts as and when they became due for payment at all times during that period. At all times the directors were aware or should have been aware of each of the indicia of insolvency that we have identified in our report. In this respect, an 'expectation' of solvency requires proof of an actual expectation (reasonably held) on the part of the directors that a company is and will continue to be solvent.

The directors may also have other defences and seek to rely on other matters not identified here.

For example, in circumstances where a director is unable to establish a defence under section 588H, a director can seek discretionary relief from the Court under sections 1317S and 1318 of the Act. The Court has power under these sections to relieve a director, either wholly or partly, from liability for insolvent trading if:

- the director acted honestly; and
- having regard to all the circumstances of the case, the director ought fairly to be excused for the contravention.

9.8 Holding Company Liability

Section 588V of the Act states that a holding company is liable for the debts of its subsidiary where the subsidiary is insolvent, and:

- the holding company and one or more of its directors were aware it was insolvent; or
- It is reasonable to expect the holding company or its directors would have been aware that the subsidiary was insolvent.

If it is determined that RAPL was insolvent, then any of its holding companies could also be held liable for the debts RAPL incurred whilst it was insolvent.

9.9 Financial position of the Director, former directors and related parties

We have been provided access to confidential statements of the assets and liabilities of Bicheno and the Director. Those statements raised a number of issues in respect of which further information has been requested.

However, based on our assessment of the information which has been provided by Bicheno and the Director, other information available to the Administrators and the available insurance coverage, our current assessment is that sufficient assets are likely to be available to satisfy a judgment of, at least, the low end of our estimated recovery for an insolvent trading action.

We do not have information regarding the financial capacity of the former directors to meet a judgment but this may provide an additional means of recovery. As indicated above, IMF's conditional funding offer includes funding for compulsory examinations of the Director and

former directors. If a liquidator is appointed, further information and documents concerning the capacity of these persons to meet a judgment could be obtained as part of those examinations.

10 Estimated Return from a Winding Up

10.1 Introduction

We have prepared an analysis of the likely realisation under liquidation on high and low scenarios. Both scenarios consider:

- Recovery of preferences for the benefit of all creditors
- Recovery of a claim for insolvent trading
- Recovery from the sale of the business if it can be established that all or part of the related party secured debts are void against a liquidator
- Administrators' and liquidators' estimated remuneration and disbursements
- Legal fees and disbursements
- Litigation funder's premium in the event third party funding was required.

It should be noted that there will be no return for unsecured creditors in RAHPL. However, as all unrelated creditors of RAHPL are also creditors of RAPL for the same amounts, those creditors would receive a distribution in that capacity.

10.2 Comparative scenarios

Below is a comparison of Administrators' estimated realisations should RAPL proceed into liquidation, being high and low scenarios:

\$000's	Notes	Total Claim	Liquidation	
			High estimate	Low estimate
REALISATIONS				
Cash at bank	a	4,619	4,619	4,619
Less accrued trading expenses	b	(2,262)	(2,262)	(2,262)
Proceeds from sale of business	c	13,813	13,813	-
Sale and lease back of motor vehicles	d	-	-	-
Preference payment	e	50,120	32,578	22,554
Insolvent trading	f	48,284	31,385	19,314
Total realisations		114,575	80,133	44,225
ESTIMATED COSTS				
Administrators remuneration to 2 September	g	775	775	775
Liquidators remuneration	h	3,000	3,000	3,000
Deloitte disbursements	i	300	300	300
Other disbursements	j	50	50	50
Legal fees and disbursements	k	5,000	5,000	5,000
Litigation premium	l	16,900	10,985	6,760
Total costs		26,025	20,110	15,885
Surplus available to distribute to creditors		88,550	60,023	28,340
DISTRIBUTIONS				
Creditor claims				
Trade creditors	m	48,284	48,284	48,284
Contingent landlord claims	n	26,000	26,000	26,000
Landlord rent arrears	o	10,070	10,070	10,070
Statutory creditors	p	5,212	5,212	5,212
Related party creditors	q	10,900	10,900	24,713
Preference payment creditors	r	50,120	32,578	22,554
Total creditor claims		150,586	133,044	136,834
Dividend to unsecured creditors (¢ in \$)		58.80	45.12	20.71

Notes:

- Cash at bank held by the Administrators as at 13 August 2013
- Accrued trading costs that need to be paid from the funds held by the Administrators. Funds have been received from DSG to meet these costs, which are included in the cash at bank.
- The realisation of proceeds from the sale of business relies on a liquidator being able to prove that a portion of Bicheno's security is void. The low scenario assumes no realisation from this claim and the high full realisation of the claim. For further details regarding this potential claim please see section 9.6.2
- The Administrators expects that no realisations would be made by a liquidator for the sale and lease back of motor vehicles between Bicheno and RAPL. For further details regarding this potential claim please see section 9.6.3

- e. The high and low liquidation scenarios assume realisation of 65% and 45% of the preference payment claims respectively. For further details regarding this potential claim please see section 9.6.1
- f. The high and low liquidation scenarios assume realisation of 65% and 40% of the insolvent trading claim respectively. For further details regarding this potential claim please see section 9.7
- g. Estimated outstanding remuneration owing to the Administrators as at the second meeting of creditors scheduled for 2 September 2013
- h. Estimated liquidators remuneration for the period of liquidation. The high and low estimates are the same as the Liquidator would be required to spend the same amount of time pursuing claims regardless of the eventual outcome of these claims
- i. These disbursements cover the general costs of the Administrator and Liquidator such as telephone and photocopy expenses
- j. Other disbursements that would include room hire for creditors' meetings, postage etc
- k. Estimated legal fees for proposed litigation relating to proving that Bicheno's security is void against the liquidator, the recovery of preference payments and pursuing an insolvent trading claim. This estimate also includes legal fees for any other advice requested by the liquidator and outstanding legal fees as at the date of the meeting of creditors
- l. Third party funding may be required to cover further legal and court fees in relation to the pursuit of an insolvent trading claim. Based on the Administrators experience with third party litigation funders to date, an estimate of 35% of the expected funds realised from an insolvent trading claim has been used in both the high and low scenarios. This is consistent with the conditional funding agreement from IMF
- m. This represents trade creditors that have not been assigned to DSG/Bicheno and does not include landlord or statutory claims
- n. Estimated landlord claims for breach of lease not including outstanding rent
- o. Estimated outstanding rent as at the date of the appointment of the Administrators
- p. The statutory creditors group includes the ATO and Australia's state revenue offices. The owing amount relates to unpaid taxation prior to the appointment of Administrators
- q. As detailed in section 9.6.2 of this report, a portion of Bicheno's security over RAPL may be void against a liquidator. The high recovery liquidation scenario assumes that \$10.9m of the invalid security is still valid debt but as an unsecured claim. The low recovery liquidation scenario assumes that \$24.7m of Bicheno's invalidated security is now unsecured
- r. In the event that a liquidator is able to recover preference payments made to suppliers, the amount owed to these suppliers by RAPL would increase. These suppliers would then be able to claim in a liquidation scenario for the full amount owing to them, including the amount they had to pay back to the liquidator.

Creditors should note that the value of creditor claims are estimated only, should actual claims be higher than those presented the return to creditors would be reduced.

10.3 Overall Realisations in Liquidation Scenarios

The high scenario estimates a return of 45.12 cents in the dollar for unsecured creditors whereas the low scenario estimates a return of 20.71 cents in the dollar.

There are no assets that can be realised or have been realised which would result in proceeds being recovered for the benefit of unsecured creditors. The only source of funds is for a liquidator to commence a number of actions as outlined in this report.

10.4 Conclusion

Assuming the amount of all debts proved and accepted by the liquidators correspond to the amounts disclosed in our analysis, we estimate that the return to unsecured creditors on liquidation would be between 20.71 cents and 45.12 cents per dollar. This dividend is dependent on insolvent transaction recoveries.

11 Deed of Company Arrangement

11.1 Introduction

A DOCA has been proposed by Bicheno, the ultimate shareholder of RAHPL and RAPL. A copy of the proposal is enclosed as Appendix C.

11.2 Key features

The key features of the DOCA are as follows:

- The DOCA is for both RAPL and RAHPL and will involve the creation of a single DOCA fund against which the creditors of RAPL and RAHPL will claim
- The Deed Administrators will be Vaughan Strawbridge and David Lombe
- Creditors' claims must have arisen on or before 26 October 2012 if they are to be admissible under the DOCA. This includes claims arising after 26 October 2012 but which are based on contracts or circumstances arising before 26 October 2012. The adjudication of their claims will be dealt with as if the Companies were in liquidation
- A Deed Fund will be established which comprises the cash held by the Administrators at the time of the execution of the DOCA and a contribution from Bicheno, DSG, the Directors and former directors of \$5.5m to be made by 31 January 2014 or such later date agreed by the Deed Administrator. Creditors should note that it would not be our intention to agree to a later date without the approval of creditors.
- Upon payment of the contribution, the related parties will be released from any claims arising prior to the commencement of the administration of RAPL and RAHPL
- All creditors will be bound by the DOCA as provided by the Act
- Creditors must accept their entitlement under the DOCA in full satisfaction and complete discharge of all debts and claims against RAPL
- Related party creditors will not participate in the DOCA
- The control of RAPL will be returned to the Director following execution of the DOCA
 - The DOCA can be terminated as provided for by the Act, especially sections 445D and 445F. These circumstances include where there has been a breach of the DOCA and creditors resolve at a meeting convened by the Deed Administrators that the DOCA should be terminated.
- If the DOCA Contribution is not made by 31 January 2014 (or as otherwise agreed), the DOCA will fail and the Contribution will not be able to be recovered from the Contributors

- The Deed fund will be distributed so that the Administrators and Deed Administrators are paid first for their remuneration and expenses, then any priority creditors as provided in Section 556 of the Act and then the balance will be paid to unsecured creditors
- The Deed Administrators' remuneration is capped at \$500k excluding GST, however further approvals can be sought from creditors or the court
- Only paragraph 2 (Deed Administrators' powers) of Schedule 8A of the Corporations Regulations applies
- RAPL will not engage in any new business or any other activity except as acting as tenant under existing leases until the contribution is paid. DSG will be responsible for all amounts payable under the leases
- The Director will undertake to ensure that, within 10 business days of the second meeting of creditors (2 September 2013) or from the date of any adjournment of that meeting, RAPL pays the outstanding employee entitlements to any employee that does not receive or accept the offer of employment from DSG.

A summary of the net likely returns to creditors under the proposed DOCA compared to a liquidation scenario on the assumption that the contribution is paid is shown in the below table:

\$000's	Notes	Liquidation		DOCA	
		Total Claim	High estimate	Low estimate	estimate
REALISATIONS					
Cash at bank	a	4,619	4,619	4,619	4,619
Less accrued trading expenses	b	(2,262)	(2,262)	(2,262)	(2,262)
Proceeds from sale of business	c	13,813	13,813	-	-
Sale and lease back of motor vehicles	d	-	-	-	-
Preference payment	e	50,120	32,578	22,554	-
Insolvent trading	f	48,284	31,385	19,314	-
DOCA contribution	g	-	-	-	5,500
Total realisations		114,575	80,133	44,225	7,857
ESTIMATED COSTS					
Administrators remuneration to 2 September	g	775	775	775	775
Administrators remuneration from 3 September to execution of DOCA	i	-	-	-	150
Liquidators remuneration	h	3,000	3,000	3,000	-
Deed Administrators remuneration	i	-	-	-	500
Deloitte disbursements	i	250	300	300	100
Other disbursements	j	50	50	50	50
Legal fees and disbursements	k	5,000	5,000	5,000	500
Litigation premium	l	16,900	10,985	6,760	-
Total costs		25,975	20,110	15,885	2,075
Surplus available to distribute to creditors		88,600	60,023	28,340	5,782
DISTRIBUTIONS					
Creditor claims					
Trade creditors	m	48,284	48,284	48,284	48,284
Contingent landlord claims	n	26,000	26,000	26,000	26,000
Landlord rent arrears	o	10,070	10,070	10,070	10,070
Statutory creditors	p	5,212	5,212	5,212	5,212
Related party creditors	q	10,900	10,900	24,713	-
Preference payment creditors	r	50,120	32,578	22,554	-
Total creditor claims		150,586	133,044	136,834	89,566
Dividend to unsecured creditors (¢ in \$)		58.84	45.12	20.71	6.46

11.3 Administrators' comments regarding the proposed DOCA

The proposed DOCA contains a number of inherent risks and issues which have been raised with Bicheno's advisers. Based on our communications with Bicheno's advisers and our analysis of the proposed DOCA, we provide the following comments:

- Bicheno has given no assurance that the contribution will be made and the source of funds for the contribution is not identified. We understand that the proposed source is asset realisations and external financier funding
- An unusual aspect of the proposed DOCA is that there is no obligation on the contributing parties to pay the DOCA contribution. This means that if the contribution is not made, the Deed Administrator cannot commence proceedings to recover that amount. The only alternative available to creditors would be to terminate the DOCA and liquidate the Companies

- It is proposed that following execution of the DOCA, control of RAPL will be returned to the Director. We understand that DSG will be seeking to raise external finance and as part of that process, the Director will agree to release the security which RAPL currently holds over DSG for the benefit of creditors. If the DOCA contribution is not made and RAPL is subsequently wound up, this security would not be available to a subsequent liquidator. RAPL would then be an unsecured creditor of DSG for any portion of the purchase price of RAPL's business which DSG was required to pay in cash as a result of RAHPL's security being held to be void
- The Director will have the ability to cause RAPL to incur further debts which will then compete with existing creditors if RAPL is subsequently wound up because the DOCA is terminated. This risk is reduced by the Director's undertaking to ensure that prior to the contribution being made, RAPL will not engage in any new business or other activity other than as tenant under existing leases and DSG's undertaking to pay all amounts that become payable under those leases
- If the contribution is not made and it is necessary for RAPL to be wound up on or after 31 January 2014, then the potential recoveries in a subsequent liquidation may be materially less than if RAPL is placed in liquidation immediately because:
 - o the Director may release the \$13m in security which RAPL currently holds over DSG's assets and which would otherwise be available to a liquidator
 - o the commencement of recovery actions will be delayed for at least 5 months
 - o potential defendants to recovery actions may deal with their assets during that period in a way which will make it harder for a liquidator to recover any amount payable by them.

11.4 Conclusion

If there was sufficient certainty that the DOCA contribution would be made, the proposed DOCA would provide the following benefits for creditors over liquidation of the Companies as follows:

- Greater certainty of returns to unsecured creditors whereas a return in a liquidation scenario is subject to successful litigation
- The return to all creditors may be considerably earlier under a DOCA than under liquidation

The proposed DOCA may also benefit some individual creditors if they have received preferential payments which would otherwise be subject to recovery action by a liquidator.

Despite the above potential benefits the DOCA would, if the Deed fund is received and based on our estimated returns to creditors, result in a significantly lower return to creditors than under liquidation.

Further, the inherent risks in the DOCA proposal identified above, in our opinion, outweigh the potential benefits to creditors.

12 Administrators' Opinion

12.1 Introduction

The following options for the future of the company are available for creditors to vote on at the second meeting:

- The Company execute a Deed of Company Arrangement,
- The Administration end; or
- The Company be wound up.

Our opinions on each option and our reasons for those opinions are discussed below.

12.2 The Company execute a DOCA

A DOCA has been proposed. Please see section 11 for further details.

We are of the opinion that the return to creditors would **not** be greater under the proposed DOCA than in a liquidation scenario. The proposed DOCA estimates that unsecured creditors may receive a distribution in the vicinity of 6.46 cents in the dollar to creditors whereas our view is that liquidation provides a return of between 20.71 and 45.12 cents in the dollar.

We are also of the opinion that the inherent risks to creditors in the DOCA proposal outweigh any potential benefits.

Taking all factors into account we **do not** recommend that it is in the best interests of creditors to enter into the proposed DOCA.

12.3 The Administration end

The Companies are clearly insolvent and we therefore **do not** recommend that the Administration of RAPL and RAHPL end and that control revert to the Director.

12.4 The Companies to be wound up

In Section 11 of this report we conclude that a winding up scenario is likely to provide a materially better return to unsecured creditors than the proposed DOCA.

Based on this, we recommend that it is in the best interests of creditors for the Companies to be wound up.

12.5 Recommendation

In our opinion, creditors interests would be best served if the Companies are wound up.

We reserve the right to change our recommendation to creditors should there be any change to the DOCA proposal, or if an alternate DOCA proposal is received subsequent to the date of this report.

Should we receive any new information relevant to creditors between issuing this report and the date of the creditors meeting; a summary will be made available on our website at www.deloitte.com.au under Services / Financial Advisory / Restructuring Services / Insolvency Matters. We recommend that creditors monitor this website for any such information.

13 Letter from DSG to suppliers dated 18 July 2013

On 18 July 2013, DSG sent a letter to suppliers following presentations held by DSG on 21 and 23 May 2013.

DSG's letter foreshadowed the proposal of a DOCA involving a contribution of \$5.5m resulting in estimated dividend distribution of 6 cents within six to nine months compared with a high and low range liquidation recovery scenario of between 2.57 cents and 9.04 cents. The DOCA proposal was said to be pitched at the mid-range of these recoveries. The letter also requested the provision of proxies supporting the DOCA proposal before it was made to the Administrators and before provision to creditors of the Administrators' recommendation as contained in this Report.

The Administrators issued a response to DSG's letter on 6 August 2013. A copy of this response is available at <http://www.deloitte.com/au/retailadventures>. In that response, we noted that neither the DSG letter nor the calculations contained in it had been endorsed by the Administrators and that the Administrators estimated returns in a liquidation scenario were significantly higher than DSG's. We also recommended that creditors wait for and carefully consider the contents of this Report before making a decision on the future of the Company.

Creditors should note that any creditor who has completed the proxy form attached to the DSG letter but now wishes to change their voting intention can do so by completing and returning to the Administrators, the proxy form attached at Appendix H.

14 Other Material Information

We are not aware of any other information that is materially relevant to creditors being able to make an informed decision on the Companies' future.

15 Remuneration

Creditors are directed to the Information Sheet – Approving Fees: a guide for Creditors, a copy of which is attached as Appendix D.

15.1 Voluntary Administration

The Administrators' Remuneration is based on the firm's hourly rates which are included in Appendix E to this report. Approval for fees has been sought through the Committee of Creditors as discussed in section 3.4 of this report. Detailed narratives and fee breakdowns of work performed by our staff were provided to the Committee at all times that fee approval was sought. A following table is a summary of the fees approved (or proposed to be approved) by the Committee:

Meeting #	Meeting Date	Approved Administrators Remuneration (\$)	Remuneration Period
1	13-Nov-12	No approval sought	N/A
2	7-Dec-12	1,143,712.50	26 October - 24 November 2012
2	7-Dec-12	1,122,095.00	25 November - 31 December 2012
3	11-Jan-13	1,142,385.00	1 January - 31 January 2013
4	13-Feb-13	975,450.00	1 February – 28 February 2013
5	12-Apr-13	334,098.50	1 March – 31 March 2013
5	12-Apr-13	335,425.00	1 April – 30 April 2013
6	14-Jun-13	206,216.50	1 May – 24 May 2013
6	14-Jun-13	284,747.50	25 May – 30 June 2013
7	26 August 2013*	248,666.50**	1 July 2013 to 31 July 2013
7	26 August 2013*	79,263.00**	1 August 2013 to 10 August 2013
7	26 August 2013*	450,075.00**	11 August 2013 to 2 September 2013

*The Seventh Committee meeting is scheduled for on or around 26 August 2013 seeking approval of the Administrators remuneration for the period 1 July 2013 to 2 September 2013

** Forecast of future fees

The actual Administrators' Remuneration incurred has generally been less than the amount approved by the Committee. As such only the amount incurred and not the total amount approved was paid. As the Committee approved the Administrators Remuneration, we have not provided a copy of the remuneration reports that were sent to the Committee. However, we have placed each Remuneration report on our website³ should creditors wish to inspect these documents.

If the creditors of RAPL resolve that RAPL execute a DOCA, then we will be seeking approval of our fees as Administrators for the period 3 September 2013 to the execution of the DOCA. The following table is a summary of the expected time costs that we are seeking approval for

Administration type	Period	\$
Voluntary Administration	3 September 2013 to execution of the DOCA	150,000.00
GST		15,000.00
Total (including GST)		165,000.00

A detailed remuneration report for the approval being sought is enclosed at Appendix E.

15.2 DOCA

The Deed Administrators' remuneration is based on the firm's hourly rates which are included in Appendix E to this report. Creditor approval for fees will be sought at the second meeting of creditors where a detailed narrative will be submitted together with the fee breakdown of work performed by the Deed Administrators' staff.

³ www.deloitte.com/view/en_AU/au/services/financial-advisory/restructuringservices/insolvency-matters/retail-adventures

The estimated fees for the Deed Administrators from the execution of the DOCA to completion of the DOCA are as follows:

Type of Administration	Period	\$
DOCA	DOCA	500,000.00
GST		50,000.00
Total (including GST)		550,000.00

A summary of the estimated time to be spent by the Deed Administrators and their staff in the DOCA from the execution of the DOCA to completion of the DOCA at their respective hourly rates is attached as Appendix E.

At the second meeting of creditors, we will propose a resolution in relation to the estimated Deed Administrators' remuneration from execution of the DOCA to completion of the DOCA. If a lesser amount is incurred only the amount actually incurred will be paid.

These fees will be capped and accordingly we will be unable to draw fees more than this amount without further approval by creditors or the Court.

15.3 Liquidation

In the event the Companies are placed into liquidation, given the expected quantum of costs of conducting the liquidation and pursuing recovery actions identified, we believe it would be appropriate to seek approval of fees from any committee of inspection. In the event a committee of inspection is not formed we would convene a meeting of creditors to seek the approval of any fees incurred.

16 Meeting

Pursuant to Section 439A(3) of the Act, we have attached a notice convening the second meeting of creditors to be held on **Monday 2 September 2013 at 1.00pm** concurrently at:

Location	Venue	Address	Local Time
Sydney	Menzies Sydney	14 Carrington Street, Sydney	1.00pm
Melbourne	Sofitel Melbourne	25 Collins Street, Melbourne	1.00pm
Brisbane	Cliftons Brisbane	288 Edward Street, Brisbane	1.00pm

(see Form 529 enclosed as Appendix F). Please note the meeting will be conducted primarily from the meeting in Sydney.

At this meeting creditors will be asked to resolve whether:

- the Company execute a Deed of Company Arrangement; or
- the administration end; or
- the Company be wound up

Attendance at this meeting is not compulsory. Creditors may attend and vote in person, by proxy or by attorney. The appointment of a proxy must be made in accordance with Form 532 (copy attached as Appendix H).

A specific proxy can be lodged showing approval or rejection of each resolution. Any general proxies received nominating the Chairperson as proxy holder will be used for voting purposes in accordance with the Administrators recommendation. Proxy forms or facsimiles thereof must

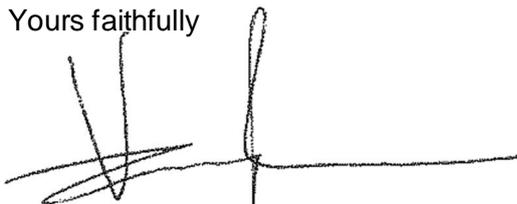
be lodged with the Administrators prior to the commencement of the meeting. Where a facsimile copy of a proxy is sent, the original must be lodged with the Administrators within 72 hours after receipt of the facsimile. An attorney of the creditor must show the instrument by which he or she is appointed to the Chairman of the meeting, prior to the commencement of the meeting.

Please note that a creditor is required to lodge a Proof of Debt or Claim (copy attached as Appendix G) to be entitled to vote at the second meeting of creditors. A creditor will not be able to vote at the meeting unless a Proof of Debt or Claim is lodged with me prior to the commencement of the meeting. As this meeting relates to the future of the Companies, we request that you provide sufficient documentation to support your claim. Your failure to provide this may result in the Administrators accepting your claim for a lower amount. You should contact my office if you are unsure.

If a creditor wishes to rely upon the Proof of Debt or Claim that they lodged with us at the first meeting of creditors, held on 7 November 2012, they must make reference to that Proof of Debt or Claim when submitting a proxy, or when attending the second meeting of creditors.

We trust that creditors find this report informative and useful. In the event that you have any queries regarding the contents of this report, or the administration in general, please do not hesitate to contact Teresa Chan of this office on 02 9322 3834.

Yours faithfully

A handwritten signature in black ink, appearing to be 'V. Strawbridge', written over a horizontal line.

Vaughan Strawbridge

For and on behalf of

Vaughan Strawbridge, David Lombe & John Greig
Joint and Several Administrators

Appendix A - Declaration of Independence, Relevant Relationships and Indemnities

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Declaration of Independence, Relevant Relationships and Indemnities

Retail Adventures Pty Limited (ACN 135 890 845) ('RAPL')

Retail Adventures Holdings Pty Limited (ACN 136 178 839 ('RAHPL'))

(*"the Companies"*)

This document requires the Practitioners appointed to an insolvent entity to make declarations as to:

- A. their independence generally;
- B. relationships, including
 - (i) the circumstances of the appointment;
 - (ii) any relationships with the Insolvent and others within the previous 24 months;
 - (iii) any prior professional services for the Insolvent within the previous 24 months;
 - (iv) that there are no other relationships to declare; and
- C. any indemnities given, or up-front payments made, to the Practitioner.

This declaration is made in respect of ourselves, our partners and Deloitte Touche Tohmatsu ("Deloitte").

A. Independence

We, Vaughan Neil Strawbridge, David John Frank Lombe and John Lethbridge Greig of Deloitte had undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Administrators of the Companies in accordance with the law and applicable professional standards. That assessment identified no real or potential risks to our independence. We were not aware of any reasons that would prevent us from accepting this appointment.

Since the last assessment, our investigations have identified 2 professional relationships that need to be disclosed to creditors. These relationships do not affect our assessment and would not have prevented us from taking this appointment. These are disclosed below.

B. Declaration of Relationships

i. Circumstances of appointment - RAPL

On 24 October 2012, the Company's lawyer, Dibbs Barker, contacted Mr Vaughan Strawbridge requesting a Consent to Act in the capacity as voluntary administrators on behalf of RAPL.

Vaughan Strawbridge met with Mr Hodgkinson, an independent advisor to RAPL, and Wendy Jacobs of Dibbs Barker, on 28 September, 8 October, 18 October and 24 October 2012. These meetings were in the nature of a pre-appointment discussions and were limited to discussing the financial position of RAPL. During these meetings no advice was given, discussions were limited to the potential options available. Prior to these meetings, we had no dealings with RAPL or its directors.

It is our opinion that these meetings do not present a conflict or impediment as we do not consider ourselves to be bound to provide services to this entity in relation to this matter or in any way obligated to deliver a favourable outcome to any party, nor will the advice provided be subject to review and challenge during the course of the voluntary administration. The Courts and the IPA's Code of Professional Practice specifically recognise the need for practitioners to provide advice on the insolvency process and the options available and do not consider that such advice results in a conflict or is an impediment to accepting the appointment.

We held discussions with RAPL's advisor and lawyers between 19 October 2012 and 26 October 2012 regarding a licence agreement to enable a company associated with the Director of RAPL and RAHPL to operate a portion of the Company's stores. Certain triggers were contained in the licence agreement to allow the Administrators to terminate the licence to operate without cause at certain times and at any time with cause. This was to safe guard the interests of creditors.

We received no remuneration for attending these meetings or discussing the licence to operate.

ii. Circumstances of appointment – RAHPL

Since our appointment as Administrators of the Company's subsidiary, RAPL, we become aware that RAHPL, has given a number of corporate guarantees in respect of property leases held by its subsidiary.

On 5 November 2012, an independent advisor to RAHPL, Mr Hodgkinson, contacted Mr Vaughan Strawbridge requesting a Consent to Act in the capacity as voluntary administrators on behalf of the Company.

Vaughan Strawbridge met with Mr Hodgkinson on 6 November 2012. The meeting was in the nature of pre-appointment discussions and was limited to discussing the financial position of RAHPL. During these meetings no advice was given, discussions were limited to the potential options available.

It is our opinion that this meeting does not present a conflict or impediment as we do not consider ourselves to be bound to provide services to this entity in relation to this matter or in any way obligated to deliver a favourable outcome to any party, nor will the advice provided be subject to review and challenge during the course of the voluntary administration. The Courts and the IPA's Code of Professional Practice specifically recognise the need for practitioners to provide advice on the insolvency process and the options available and do not consider that such advice results in a conflict or is an impediment to accepting the appointment.

We received no remuneration for attending this meeting.

iii. Relevant Relationships (excluding Professional Services to the Companies)

We, or a member of our firm, have, or have had within the preceding 24 months, a relationship with:

Name	Nature of relationship	Reasons why not an impediment or conflict
Previously disclosed relationships		
Damien Hodgkinson	Independent adviser to the Companies and referrer of the appointment	We do not have any referral arrangement with Mr Hodgkinson. No commissions, inducements or benefits have been obtained by Mr Hodgkinson in respect to this appointment. There is no arrangement with Mr Hodgkinson that we will provide any referral work to him. There is no relationship with Mr Hodgkinson which in our view would restrict us from properly exercising our judgment and duties in relation to the appointment.
Dibbs Barker	Lawyers for the Companies	We have undertaken a number of appointments which have been referred to us by Dibbs Barker in the usual course of business. We are not paid any commissions, inducements or benefits by Dibbs Barker to undertake any appointments. There is no arrangement between us and Dibbs Barker that we will give any work arising out of the Administration to Dibbs Barker. There is no relationship with Dibbs Barker which in our view would restrict us from properly exercising our judgment and duties in relation to the appointment.

<p>ANZ Fiduciary Services Pty Ltd (“the Bank”) part of the ANZ banking group</p>	<p>The Bank hold a fixed and floating charge over the whole of the property of the Retail Adventure Holdings Pty Limited</p> <p>We have undertaken a number of formal insolvency and advisory engagements on behalf of the ANZ banking group in the usual course of business.</p> <p>Deloitte and its staff have provided and continue to provide a range of services to the ANZ banking group including consulting, taxation, risk mitigation, audit and assurance, valuation and forensic services.</p>	<p>We have never undertaken any work for the Bank in respect of the Companies.</p> <p>We do not consider previous formal insolvency and advisory engagements accepted on behalf of the ANZ banking group to present a conflict as there is no connection between these engagements and the Companies.</p> <p>The provision of consulting, taxation, risk mitigation, audit and assurance, valuation and forensic services to the ANZ banking group brings about a commercial relationship that in our opinion does not present a conflict or impediment as it does not impact upon the position of the Companies.</p> <p>We are not paid any commissions, inducements or benefits to undertake any engagements with the ANZ banking group and do not consider ourselves to be bound or in any way obligated to deliver a favourable outcome to any party.</p> <p>Therefore there is no relationship with the ANZ Banking group which in our view would restrict us from properly exercising our judgment and duties in relation to the appointment.</p>
<p>New relationship disclosures</p>		
<p>Mr Bruce Irvine</p>	<p>Former director of RAPL. Mr Irvine was a former partner of the Deloitte Member Firm in New Zealand (Deloitte New Zealand).</p>	<p>We do not consider Mr Irvine’s connection to Deloitte New Zealand to present a conflict as:</p> <ul style="list-style-type: none"> • Mr Irvine had retired as a partner of Deloitte New Zealand in May 2009 prior to taking the appointment as a director of RAPL on October 2009. • Deloitte New Zealand is a legally separate entity and independent of Deloitte (Australia). • There are no relationships with Mr Irvine which in our view would restrict us from properly exercising our judgement and duties in relation to the appointment.

iii. Prior Professional services to the Insolvent

Neither we, nor our firm, have provided any professional services to the Companies in the previous 24 months.

iv. No other relevant relationships to disclose

There are no other known relevant relationships, including personal, business and professional relationships, from the previous 24 months with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has a charge on the whole or substantially whole of the Company's property that should be disclosed.

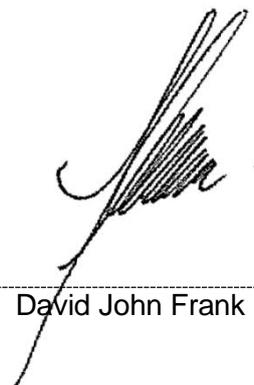
C. Indemnities and up-front payments

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute and we have not received any up-front payments in respect of our remuneration or disbursements.

Dated:



Vaughan Neil Strawbridge



David John Frank Lombe



John Lethbridge Greig

Note:

1. If circumstances change, or new information is identified, we are required under the Corporations Act and the IPA Code of Professional Practice to update this Declaration and provide a copy to creditors with my/our next communication as well as table a copy of any replacement declaration at the next meeting of the insolvent's creditors.
2. Any relationships, indemnities or up-front payments disclosed in the DIRRI must not be such that the Practitioner is no longer independent. The purpose of components B and C of the DIRRI is to disclose relationships that, while they do not result in the Practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Appendix B - Information Sheet – Offences, Recoverable Transactions, etc

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Creditor Information Sheet

Offences, Recoverable transactions and Insolvent Trading



Offences

A summary of offences that may be identified by the administrator:

180	Failure by officer to exercise a reasonable degree of care and diligence in the exercise of his powers and the discharge of his duties.
181	Failure to act in good faith.
182	Making improper use of position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of his position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for proper purpose. Use of position or information dishonestly to gain advantage or cause detriment.
206A	Contravening an order against taking part in management of a corporation.
206A, B	Taking part in management of corporation while being an insolvent under an administration.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of auditor.
314-7	Failure to comply with requirements for financial statement preparation.
437C	Performing or exercising a function or power as officer while a company is under administration.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to administrator.
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.

Voidable Transactions

Preferences

A preference is a transaction such as a payment between the company and one or more of its creditors, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant time period is six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Where a creditor receives a preferred payment, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under either the Corporations Act.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into having regard to:

- the benefit or detriment to the company;
- the respective benefits to other parties; and,
- any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation. However, if a related entity is a party to the transaction, the time period is four years and if the intention of the transaction is to defeat creditors, the time period is ten years.



The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only have to have been entered into any time on or before the day when the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person. It will only be necessary to satisfy the court that there was a breach on the balance of probabilities. There is no time limit on when the transaction occurred.

Unreasonable payments to directors

Liquidators have the power to reclaim "unreasonable payments" made to directors by companies prior to liquidation. The provision relates to transactions made to, on behalf of, or for the benefit of, a director or close associate of a director. To fall within the scope of the section, the transaction **must** have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges are voidable by a liquidator:

- Floating charge created with six months of the liquidation unless it secures a subsequent advance;
- Unregistered charges; and
- Charges in favour of related parties who attempt to enforce the charge within 6 months of its creation.

Insolvent Trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they actually did so expect;
- they did not take part in management for illness or some other good reason; or,
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

**RETAIL ADVENTURES PTY LIMITED (ADMINISTRATORS APPOINTED)
AND RETAIL ADVENTURES HOLDINGS PTY LIMITED
(ADMINISTRATORS APPOINTED)**

DRAFT PROPOSAL FOR DEED OF COMPANY ARRANGEMENT

PROPOSER BICHENO INVESTMENTS PTY LIMITED

Background to Proposal

The proposer, Bicheno Investments Pty Limited (**Bicheno**) is the ultimate shareholder of Retail Adventure Holdings Pty Limited (**RAHL**) and Retail Adventures Pty Limited (**RAPL**) and wishes to propose a pooled deed of company arrangement (**Deed**).

On the appointment of the voluntary administrators to RAPL, DSG Holdings Australia Pty Limited (**DSG**) licensed (and subsequently purchased) the business and assets of RAPL. DSG entered into a General Security Agreement (**DSG Security**) to secure certain of its obligations to RAPL under the agreement which governed the sale (Sale Agreement).

All assets of RAHL and RAPL are ultimately subject to a general security agreement in favour of Bicheno.

RAHL does not have any assets. The only unrelated creditors of RAHL are claimants under guarantees of the obligations of RAPL.

1. Deed Administrators

It is proposed that two of the Administrators of RAPL and RAHL, Vaughan Strawbridge and David Lombe of Deloitte act as Deed Administrators of a single deed under which the non- related creditors of RAPL and PAHL will claim against a single deed fund.

2. Admissible Claims

All debts or claims, whether present or future, actual or contingent the circumstances giving rise to which occurred on or before 26 October 2012 will be admissible under the Deed. Creditors with a claim against RAPL and also the benefit of a guarantee from RAHL in respect of the first mentioned claim will be treated as having one claim.

3. Property of Companies available to pay creditors' claims

3.1 The Deed Administrators will establish a single deed fund (**Deed Fund**)

3.2 The Deed Fund will comprise:

- (a) any cash held in the Administrators' bank accounts but for the avoidance of doubt excluding any term deposits supporting bank guarantees issued to creditors of RAPL; and
- (b) a contribution from Bicheno, DSG, Jan Cameron, Penny Moss and Bruce Irvine (**Contributing Related Creditors**) of \$5,500,000 (**Contribution**) which is to be made by 31 January 2014 or such other date as the Deed Administrators may agree (**Contribution Date**).

4. Nature and Duration of the Moratorium

The moratorium on claims by persons bound by the DOCA (**Deed Creditors**) will be that provided for by the Corporations Act (especially sections 444C, 444D and 444E) and will continue until the Deed has been terminated.

5. Extent to which the Company's debts are extinguished.

- 5.1 The claims of the Deed Creditors (other than the Contributing Related Creditors and RAHL (**Related Creditors**)) against the Companies will be extinguished on payment of the final dividend under the Deed.
- 5.2 The Related Creditors will not participate in the Deed Fund.
- 5.3 Upon payment of the Contribution, the Contributing Related Creditors will be released from any and all claims arising prior to the commencement of the respective administrations.

6. Conditions for the DOCA to commence and to continue in operation

None.

7. Termination of the DOCA

7.1 The circumstances in which the DOCA terminates;

- (a) When the Deed Administrators lodge a notice with ASIC that the deed has been fully effectuated; and
- (b) Otherwise, as provided for by the Corporations Act (especially sections 445D and 445F).

7.2 If the Deed Contribution is not made on the Contribution Date the Deed will fail. The Deed Administrators will not be entitled to take formal steps to recover the Contribution from the Contributing Related Creditors

8. Order property referred to in paragraph 2 will be distributed among creditors bound by the Deed

8.1 Order of payment from the Deed Fund

Payment from the Deed Fund will be made as follows to the extent funds are available:

- (a) First – expenses properly incurred by the Administrators or the Deed Administrators in realising or getting in the property of the Companies which comprise the Deed Fund.
- (b) Second - the remuneration and expenses (including legal fees and any amounts for which the Deed Administrators are indemnified under 9(c) below) properly incurred by (i) the Administrators (to the extent to which these have not been paid); and (ii) the Deed Administrators.
- (c) Third – any claims which would be entitled to payment in priority to unsecured claims under section 556 of the Corporations Act if the Companies were being wound up, including creditors entitled to any proceeds of insurance under section 562 of the Act
- (d) Fourth – any unsecured creditors pari passu.

8.2 Remuneration

Subject to it being fixed in accordance with the Corporations Act (section 449E), the remuneration of the Deed Administrators will be calculated at the rates normally charged by the Deed Administrators' firm for work of the kind contemplated by the Deed and paid from the Deed Fund as funds become available subject to a maximum of \$500,000 exclusive of GST. The Deed Administrators may seek creditors' or court approval for remuneration in excess of the cap.

9. Role and powers of the Deed Administrators of the Deed

- (a) The Deed Administrators have the powers set out in paragraph 2 of Schedule 8A of the Corporations Act.
- (b) Other than as referred to in paragraph 8(a) the prescribed provisions of Schedule 8A of the Corporations Act will not apply.
- (c) The Deed Administrators will not be personally liable for any debt they incur, and will be entitled to an indemnity (secured by a lien) from the assets of the Deed Fund for their remuneration, expenses and (providing that they have not been dishonest, negligent or in breach of duty) all debts and liabilities incurred by them in the performance and purported performance or exercise or purported exercise of any of their powers rights and functions as deed administrators or voluntary administrators of either company.
- (d) Proofs of debt for the Pooled Deed fund shall be lodged and dealt with and creditors' meetings convened and conducted as provided for in the Corporations Act, as if the Companies were in liquidation. The provisions of the *Corporations Act* which will be incorporated into the Deed in connection with proving of claims against the Deed Fund will be Subdivisions A, B, C and E of Division 6 of Part 5.6 of the *Corporations Act* and the *Corporations Regulations* which relate to those subdivisions with the modifications which are usual in applying those provisions to a DOCA.

10. Miscellaneous

10.1 The Deed Administrators will not be responsible for the day to day management of the Companies and the suspension of the directors' powers will end on execution of the Deed.

10.2 The directors undertake to ensure that, until the Contribution Date, RAPL does not engage in any new business or other activity except as tenant under an existing lease. DSG will be responsible for all amounts payable under any such lease from the day after the second meeting of creditors (or if that meeting is adjourned from the day of the adjourned meeting).

10.3 The directors undertake to ensure that within 10 business days of the second meeting of creditors (or if that meeting is adjourned from the date of the adjourned meeting) RAPL pays any entitlement due to any employee of RAPL who does not receive or does not accept an offer from DSG of employment on the same or better terms as governed their employment immediately prior to the second meeting of creditors.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK



ASIC

Australian Securities & Investments Commission

INFORMATION SHEET 85

Approving fees: a guide for creditors

If a company is in financial difficulty, it can be put under the control of an independent external administrator.

This information sheet gives general information for creditors on the approval of an external administrator's fees in a liquidation of an insolvent company, voluntary administration or deed of company arrangement (other forms of external administration are not discussed in this information sheet). It outlines the rights that creditors have in the approval process.

Entitlement to fees and costs

A liquidator, voluntary administrator or deed administrator (i.e. an 'external administrator') is entitled to be:

- paid reasonable *fees*, or remuneration, for the work they perform, once these fees have been approved by a creditors' committee, creditors or a court, and
- reimbursed for out-of-pocket *costs* incurred in performing their role (these costs do not need creditors' committee, creditor or court approval).

External administrators are only entitled to an amount of fees that is reasonable for the work that they and their staff properly perform in the external administration. What is reasonable will depend on the type of external administration and the issues that need to be resolved. Some are straightforward, while others are more complex.

External administrators must undertake some tasks that may not directly benefit creditors. These include reporting potential breaches of the law and lodging a detailed listing of receipts and payments with ASIC every six months. The external administrator is entitled to be paid for completing these statutory tasks.

For more on the tasks involved, see ASIC's information sheets INFO 45 *Liquidation: a guide for creditors* and INFO 74 *Voluntary administration: a guide for creditors*.

Out-of-pocket costs that are commonly reimbursed include:

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances. You will need a qualified professional adviser to take into account your particular circumstances and to tell you how the law applies to you.

- legal fees
- valuer's, real estate agent's and auctioneer's fees
- stationery, photocopying, telephone and postage costs
- retrieval costs for recovering the company's computer records, and
- storage costs for the company's books and records.

Creditors have a direct interest in the level of fees and costs, as the external administrator will, generally, be paid from the company's available assets before any payments to creditors. If there are not enough assets, the external administrator may have arranged for a third party to pay any shortfall. As a creditor, you should receive details of such an arrangement. If there are not enough assets to pay the fees and costs, and there is no third party payment arrangement, any shortfall is not paid.

Who may approve fees

Who may approve fees depends on the type of external administration: see Table 1. The external administrator must provide sufficient information to enable the relevant decision-making body to assess whether the fees are reasonable.

Table 1: Who may approve fees

	Creditors' committee	Creditors	Court
Administrator in a voluntary administration	✓ ¹	✓	✓
Administrator of a deed of company arrangement	✓ ¹	✓	✓
Creditors' voluntary liquidator	✓ ¹	✓ ⁵	✗ ³
Court-appointed liquidator	✓ ¹	✓ ^{4, 5}	✓ ²

¹ If there is one.

² If there is no approval by the committee or the creditors.

³ Unless an application is made for a fee review.

⁴ If there is no creditors' committee or the committee fails to approve the fees.

⁵ If insufficient creditors turn up to the meeting called by the liquidator to approve fees, the liquidator is entitled to be paid up to a maximum of \$5000, or more if specified in the Corporations Regulations 2001.

Creditors' committee approval

If there is a creditors' committee, members are chosen by a vote of creditors as a whole. In approving the fees, the members represent the interests of all the creditors, not just their own individual interests.

There is not a creditors' committee in every external administration. A creditors' committee makes its decision by a majority in number of its members present at a meeting, but it can only act if a majority of its members attend.

To find out more about creditors' committees and how they are formed, see ASIC's information sheets INFO 45 *Liquidation: a guide for creditors*, INFO 74 *Voluntary administration: a guide for creditors* and INFO 41 *Insolvency: a glossary of terms*.

Creditors' approval

Creditors approve fees by passing a resolution at a creditors' meeting. Unless creditors call for a poll, the resolution is passed if a simple majority of creditors present and voting, in person or by proxy,

indicate that they agree to the resolution. Unlike where acting as committee members, creditors may vote according to their individual interests.

If a poll is taken, rather than a vote being decided on the voices or by a show of hands, a majority in *number* and *value* of creditors present and voting must agree. A poll requires the votes of each creditor to be recorded.

A separate resolution of creditors is required for approving fees for an administrator in a voluntary administration and an administrator of a deed of company arrangement, even if the administrator is the same person in both administrations.

A proxy is where a creditor appoints someone else to represent them at a creditors' meeting and to vote on their behalf. A proxy can be either a *general proxy* or a *special proxy*. A general proxy allows the person holding the proxy to vote as they wish on a resolution, while a special proxy directs the proxy holder to vote in a particular way.

A creditor will sometimes appoint the external administrator as a proxy to vote on the creditor's behalf. An external administrator, their partners or staff must not use a general proxy to vote on approval of their fees; they must hold a special proxy in order to do this. They must vote all special proxies as directed, even those against approval of their fees.

Calculation of fees

Fees may be calculated using one of a number of different methods, such as:

- on the basis of *time spent* by the external administrator and their staff
- a quoted *fixed fee*, based on an upfront estimate, or
- a percentage of asset realisations.

Charging on a time basis is the most common method. External administrators have a scale of hourly rates, with different rates for each category of staff working on the external administration, including the external administrator.

If the external administrator intends to charge on a time basis, you should receive a copy of these hourly rates soon after their appointment and before you are asked to approve the fees.

The external administrator and their staff will record the time taken for the various tasks involved, and a record will be kept of the nature of the work performed.

It is important to note that the hourly rates do not represent an hourly wage for the external administrator and their staff. The external administrator is running a business—an insolvency practice—and the hourly rates will be based on the cost of running the business, including overheads such as rent for business premises, utilities, wages and superannuation for staff who are not charged out at an hourly rate (such as personal assistants), information technology support, office equipment and supplies, insurances, taxes, and a profit.

External administrators are professionals who are required to have qualifications and experience, be independent and maintain up-to-date skills. Many of the costs of running an insolvency practice are fixed costs that must be paid, even if there are insufficient assets available to pay the external administrator for their services. External administrators compete for work and their rates should reflect this.

These are all matters that committee members or creditors should be aware of when considering the fees presented. However, regardless of these matters, creditors have a right to question the external administrator about the fees and whether the rates are negotiable.

It is up to the external administrator to justify why the method chosen for calculating fees is an appropriate method for the particular external administration. As a creditor, you also have a right to question the external administrator about the calculation method used and how the calculation was made.

Report on proposed fees

When seeking approval of fees, the external administrator must send committee members/creditors a report with the notice of meeting setting out:

- information that will enable the committee members/creditors to make an informed assessment of whether the proposed fees are reasonable
- a summary description of the major tasks performed, or to be performed, and
- the costs associated with each of these tasks.

Committee members/creditors may be asked to approve fees for work already performed or based on an estimate of work yet to be carried out.

If the work is yet to be carried out, it is advisable to set a maximum limit ('cap') on the amount that the external administrator may receive. For example, future fees calculated according to time spent may be approved on the basis of the number of hours worked at the rates charged (as set out in the provided rate scale) up to a cap of \$X. If the work involved then exceeds this figure, the external administrator will have to ask the creditors' committee/creditors to approve a further amount of fees, after accounting for the fees already incurred.

Deciding if fees are reasonable

If asked to approve an amount of fees either as a committee member or by resolution at a creditors' meeting, your task is to decide if that amount of fees is reasonable, given the work carried out in the external administration and the results of that work.

You may find the following information from the external administrator useful in deciding if the fees claimed are reasonable:

- the method used to calculate fees
- the major tasks that have been performed, or are likely to be performed, for the fees
- the fees/estimated fees (as applicable) for each of the major tasks
- the size and complexity (or otherwise) of the external administration
- the amount of fees (if any) that have previously been approved
- if the fees are calculated, in whole or in part, on a time basis:
 - the period over which the work was, or is likely to be performed
 - if the fees are for work that has already been carried out, the time spent by each level of staff on each of the major tasks
 - if the fees are for work that is yet to be carried out, whether the fees are capped.

If you need more information about fees than is provided in the external administrator's report, you should let them know before the meeting at which fees will be voted on.

What can you do if you think the fees are not reasonable?

If you do not think the fees being claimed are reasonable, you should raise your concerns with the external administrator. It is your decision whether to vote in favour of, or against, a resolution to approve fees.

Generally, if fees are approved by a creditors' committee/creditors and you wish to challenge this decision, you may apply to the court and ask the court to review the fees. Special rules apply to court liquidations.

You may wish to seek your own legal advice if you are considering applying for a court review of the fees.

Reimbursement of out-of-pocket costs

An external administrator should be very careful incurring costs that must be paid from the external administration—as careful as if they were dealing with their own money. Their report on fees should also include information on the out-of-pocket costs of the external administration.

If you have questions about any of these costs, you should ask the external administrator and, if necessary, bring it up at a creditors' committee/creditors' meeting. If you are still concerned, you have the right to ask the court to review the costs.

Queries and complaints

You should first raise any queries or complaints with the external administrator. If this fails to resolve your concerns, including any concerns about their conduct, you can lodge a complaint with ASIC at www.asic.gov.au/complain, or write to:

ASIC Complaints
PO Box 9149
TRARALGON VIC 3844

ASIC will usually not become involved in matters of commercial judgement by an external administrator. Complaints against companies and their officers can also be made to ASIC. For other enquiries, email ASIC through infoline@asic.gov.au, or call ASIC's Infoline on 1300 300 630 for the cost of a local call.

To find out more

For an explanation of terms used in this information sheet, see ASIC's information sheet INFO 41 *Insolvency: a glossary of terms*. For more on external administration, see ASIC's related information sheets at www.asic.gov.au/insolvencyinfosheets:

- INFO 74 *Voluntary administration: a guide for creditors*
- INFO 75 *Voluntary administration: a guide for employees*
- INFO 45 *Liquidation: a guide for creditors*
- INFO 46 *Liquidation: a guide for employees*
- INFO 54 *Receivership: a guide for creditors*
- INFO 55 *Receivership: a guide for employees*
- INFO 43 *Insolvency: a guide for shareholders*
- INFO 42 *Insolvency: a guide for directors*
- INFO 84 *Independence of external administrators: a guide for creditors*

These are also available from the Insolvency Practitioners Association (IPA) website at www.ipaa.com.au. The IPA website also contains the IPA's Code of Professional Practice for Insolvency Professionals, which applies to IPA members.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Appendix E - Remuneration Report

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

RAPL - Remuneration Report – August 2013

Initial advice to creditors

Remuneration Methods

There are four basic methods that can be used to calculate the remuneration charged by an Insolvency Practitioner. They are:

Time based / hourly rates

This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.

Fixed Fee

The total fee charged is normally quoted at the commencement of the administration and is the total cost for the administration. Sometimes a Practitioner will finalise an administration for a fixed fee.

Percentage

The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of assets realisations.

Contingency

The practitioner's fee is structured to be contingent on a particular outcome being achieved.

Method chosen

Given the nature of this administration we propose that our remuneration be calculated on a time basis. This is because:

- We will only be paid for work done, subject to sufficient realisations of the company assets.
- It ensures creditors are only charged for work that is performed. Our time is recorded and charged in six minute increments and staff are allocated to duties according to their relevant experience and qualifications.
- We are required to perform a number of tasks which do not relate to the realisation of assets, e.g. responding to creditor enquiries, reporting to the ASIC, distributing funds in accordance with the provisions of the Corporations Act 2001.
- We are unable to estimate with certainty the total amount of fees necessary to complete all tasks required in this administration.

Explanation of Hourly Rates

The rates for our remuneration calculation are set out in the following table together with a general guide showing the qualifications and experience of staff engaged in the administration and the role they take in the administration. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

Title	Description	Hourly Rate (excl GST)
Appointee	Registered liquidator. Brings his or her specialist skills to the administration or insolvency task.	\$ 625.00
Partner	Registered liquidator. Brings his or her specialist skills to the administration or insolvency task.	\$ 625.00
Director/ Consultant	Typically CA or CPA qualified with in excess of 8 years' experience on insolvency matters with a number of years at manager level. Answerable to the appointee but otherwise responsible for all aspects of an administration. Capable of controlling all aspects of an administration. May be appropriately qualified to take appointments in his/her own right.	\$ 525.00
Manager	Typically CA or CPA qualified with 6 to 8 years' experience working on insolvency matters. Will have experience conducting administrations and directing a number of staff.	\$ 420.00
Senior Analyst	Typically completed or near completion of CA or CPA qualifications with 4 to 6 years insolvency experience. Assists in planning and control of smaller matters as well as performing some more difficult tasks on larger matters.	\$ 320.00
Analyst	Typically studying towards CA or CPA qualification with 2 to 4 years insolvency experience. Works under supervision of more senior staff in performing day-to-day fieldwork.	\$ 250.00
Graduate	Junior staff member who has completed a university degree with less than one year's experience working on insolvency matters. Works under supervision of more senior staff in performing day-to-day fieldwork.	\$ 195.00
Secretary	Advanced secretarial skills	\$ 185.00

A. Approval request report

Part 1: Declaration

We, Vaughan Neil Strawbridge, David John Frank Lombe and John Lethbridge Greig, have undertaken a proper assessment of this remuneration claim for our appointment as Administrators of the Company in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed in the conduct of the Administration.

We note that we have not sought approval for fees as Administrators of RAHPL. RAHPL has no assets to fund the remuneration of the Administrators.

Part 2: Executive Summary

All the remuneration from 26 October 2012 to 2 September 2013 has been approved by the committee of creditors. The following is a summary of the approvals received by the committee.

Meeting number	Meeting Date	Approved Administrators Remuneration (\$)	Remuneration Period
1	13 November 2012	No approval sought	N/A
2	7 December 2012	1,143,712.50	26 October - 24 November 2012
2	7 December 2012	1,122,095.00	25 November - 31 December 2012
3	11 January 2013	1,142,385.00	1 January - 31 January 2013
4	13 February 2013	975,450.00	1 February – 28 February 2013
5	12 April 2013	334,098.50	1 March – 31 March 2013
5	12 April 2013	335,425.00	1 April – 30 April 2013
6	14 June 2013	206,216.50	1 May – 24 May 2013
6	14 June 2013	284,747.50	25 May – 30 June 2013
7	26 August 2013 (scheduled)	247,066.50 (proposed)	1 July – 31 July 2013
7	26 August 2013 (scheduled)	78,138.00 (proposed)	1 August – 10 August 2013
7	26 August 2013 (scheduled)	450,075.00 (proposed)	11 August – 2 September 2013

Due to the size of each remuneration report to support the above approvals we have not provided these. Any creditor wishing to review these can access them from our website at www.deloitte.com.au.

This remuneration report details approval sought for the following fees:

Period	Report Reference	Amount (ex GST)
<i>Voluntary Administration & DOCA</i>		
Resolution 1: 3 September to execution of DOCA	Part 4.1	\$ 150,000.00
Resolution 2: Execution to completion of DOCA	Part 4.2	\$ 500,000.00

* Approval for the future remuneration sought is based on an estimate of the work necessary to the end of the relevant period. Should additional work be necessary beyond what is forecast, further approval may be sought from the Committee of Creditors.

Please refer to the report section reference detailed above for full details of the calculation and composition of the remuneration approval sought.

Part 3: Description of work to be completed

Forecast remuneration for the period 3 September 2013 to execution of DOCA

Company: Retail Adventures Pty Limited (Administrators Appointed)	Period From: 3 September 2013	To	Execution of DOCA
Practitioners: Vaughan Neil Strawbridge, David John Frank Lombe and John Lethbridge Greig	Firm: Deloitte Touche Tohmatsu		
Administration Type: Voluntary Administration			

Task Area	General Description	Includes
Assets 37.00 hours \$8,975.00	Sale of Business as a Going Concern	Finalisation of any remaining post completion matters
	Other Assets	Tasks associated with realising other assets
	Leasing	Finalisation of lease disclaimers and other lease matters Discussions with landlord regarding rent payment and lease assignments
Creditors 204.60 hours \$66,877.50	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post Correspondence with committee of creditors members
	Retention of Title Claims	Finalisation of Retention of Title claims
	Secured creditor reporting	Discussion with ANZ and DSG
	Dealing with proofs of debt	Receipting and filing POD's when not related to a dividend Corresponding with OSR and ATO regarding POD's when not related to a dividend Maintain POD register Request further information from claimants regarding POD
	Committee meetings	Preparation and circulation of meeting notices Preparation of meeting file, including agenda Preparation of committee meeting presentation Preparation and lodgement of meeting minutes with ASIC Respond to stakeholder queries and questions immediately following meeting
	Employee enquiries	Deal with queries from employees regarding payment and deductions Receive and follow up employee enquiries via

Task Area	General Description	Includes
Employees 110.00 hours \$39,250.00		telephone Maintain employee enquiry register Review and prepare correspondence to employees and their representatives via facsimile, email and post Preparation of letters to employees advising of their entitlements and options available Receive and prepare correspondence in response to employees objections to leave entitlements
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and company's books and records Reconciling superannuation accounts Reviewing awards Liaising with solicitors regarding entitlements
	Employee dividend	Finalisation of employee dividend payments
	Workers compensation claims	Review insurance policies Receipt of claim Liaising with claimant Liaising with insurers and solicitors regarding claims Identification of potential issues requiring attention of insurance specialists Correspondence with Marsh regarding initial and ongoing workers compensation insurance requirements Correspondence with previous brokers
	Other employee issues	Implement staff redundancy program Correspondence with Child Support Correspondence with Centrelink
Trade On 71.00 hours \$23,730.00	Trade On Management	Finalisation of administrator's accounts and liabilities Closure of trading accounts and payment of final invoices Assisting with the assignment of supplier contracts to the purchaser
	Processing receipts and payments	Entering receipts and payments into accounting system
	Budgeting & financial reporting	Reviewing company's budgets and financial statements Preparing budgets Preparing weekly financial reports/ Monitoring cash flow Meetings with DSG finance team regarding accounting issues
Administration 31.50 hours \$11,167.50	Correspondence	General Correspondence
	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists

Task Area	General Description	Includes
	Insurance	Correspondence with Marsh regarding ongoing insurance requirements Insurance arrangements for Administrators stores and DSG stores Review of existing public liability claims Deal with post Administration public liability claims
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Reconciliation of pre- and post- Administration cash and EFTPOS receipts Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	Preparing BAS Calculation of Payroll Tax
	Planning / Review	Discussions regarding status of administration
Books and records / storage	Review of books and records	

Part 3: Description of work to be completed
Forecast (interim) remuneration for the period from the execution of the DOCA to the completion of the DOCA

Company: Retail Adventures Pty Limited (Administrators Appointed)	Period From: Execution of DOCA	To	Completion of DOCA
Practitioners: Vaughan Neil Strawbridge and David John Frank Lombe	Firm: Deloitte Touche Tohmatsu		
Administration Type: DOCA			

Task Area	General Description	Includes
Creditors 1,150.00 hours \$358,000.00	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post Correspondence with committee of creditors members
	Retention of Title Claims	Finalisation of Retention of Title claims
	Secured creditor reporting	Discussion with ANZ and DSG
	Dealing with proofs of debt	Receipting and filing POD's when not related to a dividend Corresponding with OSR and ATO regarding POD's when not related to a dividend Maintain POD register Request further information from claimants regarding POD
	Committee meetings	Preparation and circulation of meeting notices Preparation of meeting file, including agenda Preparation of committee meeting presentation Preparation and lodgement of meeting minutes with ASIC Respond to stakeholder queries and questions immediately following meeting
	Dividend Procedures	Advertisement of intention to declare dividend Obtain clearance from ATO to allow distribution of company's assets Preparation of dividend calculation Advertise announcement of dividend Preparation for distribution Preparation of dividend file Preparation of payment vouchers to pay dividend Preparation of correspondence to creditors enclosing payment of dividend
	Employee enquiries	Deal with queries from employees regarding payment and deductions

Task Area	General Description	Includes
Employees 100.00 hours \$33,500.00		Receive and follow up employee enquiries via telephone Maintain employee enquiry register Review and prepare correspondence to employees and their representatives via facsimile, email and post Preparation of letters to employees advising of their entitlements and options available Receive and prepare correspondence in response to employees objections to leave entitlements
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and company's books and records Reconciling superannuation accounts Reviewing awards Liaising with solicitors regarding entitlements
	Employee dividend	Finalisation of employee dividend payments
	Workers compensation claims	Review insurance policies Receipt of claim Liaising with claimant Liaising with insurers and solicitors regarding claims Identification of potential issues requiring attention of insurance specialists Correspondence with Marsh regarding initial and ongoing workers compensation insurance requirements Correspondence with previous brokers
	Other employee issues	Implement staff redundancy program Correspondence with Child Support Correspondence with Centrelink
Administration 377 hours \$108,500.00	Correspondence	General Correspondence
	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists
	Insurance	Correspondence with Marsh regarding ongoing insurance requirements Insurance arrangements for Administrators stores and DSG stores Review of existing public liability claims Deal with post Administration public liability claims
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Reconciliation of pre- and post- Administration cash and EFTPOS receipts Correspondence with bank regarding specific transfers

Task Area	General Description	Includes
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	Preparing BAS Calculation of Payroll Tax
	Finalisation	
	Planning / Review	Discussions regarding status of administration
	Books and records / storage	Dealing with records in storage Sending files to storage

Part 4: Calculation of Remuneration

4.1 Future Administrators' Remuneration – 3 September 2013 to Execution of DOCA

Employee	Position	\$/hour (ex GST)	Total actual hours	Total (\$)	Task Area											
					Assets		Creditors		Employees		Trade On		Investigations		Administration	
					Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)
Lombe, David	Partner	625	5.0	3,125.00	-	-	5.0	3,125.0	-	-	-	-	-	-	-	-
Straw bridge, Vaughan	Partner	625	17.5	10,937.50	-	-	10.0	6,250.0	5.0	3,125.0	-	-	-	-	2.5	1,562.5
Goyal, Rahul	Senior Manager	525	22.5	11,812.50	-	-	20.0	10,500.0	-	-	-	-	-	-	2.5	1,312.5
Rose, Dan	Senior Manager	525	42.5	22,312.50	5.0	2,625.0	20.0	10,500.0	5.0	2,625.0	10.0	5,250.0	-	-	2.5	1,312.5
Allen, Scott	Manager	420	50.0	21,000.00	-	-	-	-	50.0	21,000.0	-	-	-	-	-	-
George, Tanya	Manager	420	4.0	1,680.00	-	-	-	-	-	-	4.0	1,680.0	-	-	-	-
Parbery, Amy	Manager	420	35.0	14,700.00	-	-	25.0	10,500.0	-	-	10.0	4,200.0	-	-	-	-
Bennett, Paul	Senior Analyst	320	10.0	3,200.00	-	-	-	-	-	-	10.0	3,200.0	-	-	-	-
Clark, Carol	Senior Analyst	320	4.0	1,280.00	-	-	-	-	-	-	-	-	-	-	4.0	1,280.0
Parbery, Amy	Senior Analyst	320	10.0	3,200.00	-	-	-	-	-	-	10.0	3,200.0	-	-	-	-
Rashidi, Johnny	Senior Analyst	320	2.0	640.00	-	-	-	-	-	-	-	-	-	-	2.0	640.0
Spow art, Naty	Senior Analyst	320	8.0	2,560.00	-	-	-	-	-	-	-	-	-	-	8.0	2,560.0
Paul Bennet	Analyst	250	7.0	1,750.00	-	-	-	-	-	-	7.0	1,750.0	-	-	-	-
Chan, Teresa	Analyst	250	53.1	13,285.18	2.0	500.0	31.1	7,785.2	-	-	10.0	2,500.0	-	-	10.0	2,500.0
Lombe, Laura	Analyst	250	50.0	12,500.00	-	-	-	-	50.0	12,500.0	-	-	-	-	-	-
Singleton, Benjamin	Graduate	195	41.1	8,022.44	-	-	31.1	6,072.4	-	-	10.0	1,950.0	-	-	-	-
McEw en, Julia	Graduate	195	31.1	6,072.44	-	-	31.1	6,072.4	-	-	-	-	-	-	-	-
De Paoli, Elizabeth	Graduate	195	61.1	11,922.44	30.0	5,850.0	31.1	6,072.4	-	-	-	-	-	-	-	-
TOTAL			454.1	150,000.0	37.0	8,975.0	204.6	66,877.5	110.0	39,250.0	71.0	23,730.0	-	-	31.5	11,167.5
GST				15,000.00												
TOTAL (including GST)				165,000.00												
Average hourly rate				330.35		242.57		326.93		356.82		334.23	-	-		354.52

4.2 Future Deed Administrators' Remuneration – Execution of the DOCA to completion of the DOCA

Employee	Position	\$/hour (ex GST)	Total actual hours	Total (\$)	Task Area											
					Assets		Creditors		Employees		Trade On		Investigations		Administration	
					Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)
Lombe, David	Partner	625	5.0	3,125.00	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	5.0	3,125.0
Straw bridge, Vaughan	Partner	625	111.0	69,375.00	0.0	-	100.0	62,500.0	0.0	-	0.0	-	0.0	-	11.0	6,875.0
Goyal, Rahul	Senior Manager	525	130.0	68,250.00	0.0	-	100.0	52,500.0	0.0	-	0.0	-	0.0	-	30.0	15,750.0
Rose, Dan	Senior Manager	525	130.0	68,250.00	0.0	-	100.0	52,500.0	0.0	-	0.0	-	0.0	-	30.0	15,750.0
Allen, Scott	Manager	420	50.0	21,000.00	0.0	-	0.0	-	50.0	21,000.0	0.0	-	0.0	-	0.0	-
Chan, Teresa	Analyst	250	301.0	75,250.00	0.0	-	225.0	56,250.0	0.0	-	0.0	-	0.0	-	76.0	19,000.0
Lombe, Laura	Analyst	250	350.0	87,500.00	0.0	-	225.0	56,250.0	50.0	12,500.0	0.0	-	0.0	-	75.0	18,750.0
Singleton, Benjamin	Graduate	195	250.0	48,750.00	0.0	-	200.0	39,000.0	0.0	-	0.0	-	0.0	-	50.0	9,750.0
McEwen, Julia	Graduate	195	300.0	58,500.00	0.0	-	200.0	39,000.0	0.0	-	0.0	-	0.0	-	100.0	19,500.0
TOTAL			1,627.0	500,000.00	-	-	1,150.0	358,000.0	100.0	33,500.0	-	-	-	-	377.0	108,500.0
GST				50,000.00												
TOTAL (including GST)				550,000.00												
Average hourly rate				307.31	-	-	311.30		335.00	-	-	-	-	-		287.80

Disbursements

Disbursements are divided into three types: **A, B1, B2.**

- A** disbursements are all externally provided professional services. These are recovered at cost. An example of an A disbursement is legal fees.
- B1** disbursements are externally provided non-professional costs such as travel, accommodation and search fees. B1 disbursements are recovered at cost.
- B2** disbursements are internally provided non-professional costs such as photocopying, printing and postage which are charged at 5% of standard time costs

Part 5: Report on Progress of the Administration

Please refer to the Report to Creditors.

Statement of remuneration claim – Future remuneration 3 September 2013 to execution of DOCA

The following resolution in relation to the Administrators' future remuneration will be proposed to the creditors of Retail Adventures Pty Limited (Administrators Appointed):

“That the remuneration of the Administrators from 3 September 2013 to execution of the DOCA is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the Remuneration Report in the amount of \$150,000.00 plus GST and disbursements, and that the Administrators can draw the remuneration as incurred. Should a lesser amount be actually incurred, only the lesser amount will be drawn. Should the fees be a greater amount then that amount will be subject to a separate fee approval and will not be drawn until approved.”

Statement of remuneration claim – Future remuneration from execution of the DOCA to completion of the DOCA

The following resolution in relation to the Deed Administrators' future remuneration will be proposed to the creditors of Retail Adventures Pty Limited (Administrators Appointed):

“That the remuneration of the Deed Administrators' from execution of the DOCA to completion of DOCA is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the Remuneration Report in the amount of \$500,000.00 plus GST and disbursements, and that the Administrators can draw the remuneration as incurred. Should a lesser amount be actually incurred, only the lesser amount will be drawn. Should the fees be a greater amount then that amount will be subject to a separate fee approval and will not be drawn until approved.”

Information Sheet

Please refer to the attached ASIC Guide to Creditors.

Appendix F - Notice of Meeting

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

NOTICE OF MEETING OF CREDITORS

RETAIL ADVENTURES PTY LIMITED (ADMINISTRATORS APPOINTED)
ACN 135 890 845**RETAIL ADVENTURES HOLDINGS PTY LIMITED (ADMINISTRATORS APPOINTED)**
ACN 136 178 839

NOTICE is given that a meeting of the creditors of the companies will be held at the following venues on Monday 2 September 2013 at 1.00pm AEST.

Location	Venue	Address	Local Time
Sydney	Menzies Sydney	14 Carrington Street, Sydney	1.00pm
Melbourne	Sofitel Melbourne	25 Collins Street, Melbourne	1.00pm
Brisbane	Cliftons Brisbane	288 Edward Street, Brisbane	1.00pm

AGENDA

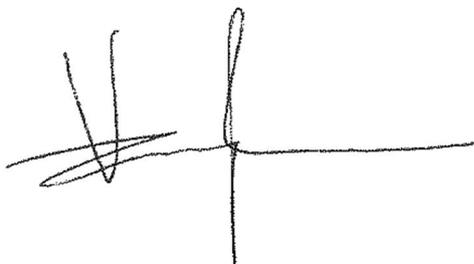
1. To receive a Statement about the companies' business, property, affairs and financial circumstances.
2. If applicable, to receive a statement to creditors by one of the directors, explaining the circumstances leading up to the Administration.
3. To receive the report of the Administrators.
4. Questions from creditors.
5. For creditors to resolve for each company:
 - a. that the company execute a Deed of Company Arrangement; or
 - b. that the administration should end; or
 - c. that the company be wound up.
6. If it is resolved that the Companies execute a Deed of Company Arrangement, to approve the future remuneration of the Administrators up until the Deed of Company Arrangement is executed.
7. If the company is to execute a Deed of Company Arrangement to fix the remuneration of the Deed Administrators.
8. If the company is wound up, to consider appointing a Committee of Inspection.
9. Any other business that may be lawfully brought forward.

Telephone conference facilities will NOT be available at the meeting.

Proxies to be used at the meeting should be lodged at the office of the Administrator by 4.00pm on the business 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 company in accordance with the Corporations Regulations and that clause has been admitted for voting purposes wholly or in part by the voluntary administrator.

DATED this 19th day of August 2013.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

VAUGHAN STRAWBRIDGE
JOINT AND SEVERAL ADMINISTRATOR

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
SYDNEY NSW 2000

Telephone: (02) 9322 7000

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

**RETAIL ADVENTURES PTY LIMITED
(ADMINISTRATORS APPOINTED)
ACN 135 890 845**

Name of creditor:

Address of creditor:

.....

ABN:

Telephone number:

Amount of debt claimed: \$ (including GST \$)

Consideration for debt (i.e, the nature of goods or services supplied and the period during which they were supplied):

.....

.....

.....

Is the debt secured? YES/NO

If secured, give details of security including dates, etc:

.....

.....

.....

Other information:

.....

.....

.....
Signature of Creditor
(or person authorised by creditor)

Notes:

Under the Corporations Regulations, a creditor is not entitled to vote at a meeting unless (Regulation 5.6.23):

- a. his or her claim has been admitted, wholly or in part, by the Joint Administrators; or
- b. he or she has lodged with the Joint Administrators particulars of the debt or claim, or if required, a formal proof of debt.

At meetings held under Section 436E and 439A, a secured creditor may vote for the whole of his or her debt without regard to the value of the security.

Proxies must be made available to the Joint Administrators.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

INFORMAL PROOF OF DEBT FORM

regulation 5.6.47

**RETAIL ADVENTURES HOLDINGS PTY LIMITED
(ADMINISTRATORS APPOINTED)
ACN 136 178 839**

Name of creditor:

Address of creditor:

.....

ABN:

Telephone number:

Amount of debt claimed: \$ (including GST \$)

Consideration for debt (i.e, the nature of goods or services supplied and the period during which they were supplied):

.....

.....

.....

Is the debt secured? YES/NO

If secured, give details of security including dates, etc:

.....

.....

.....

Other information:

.....

.....

.....
Signature of Creditor
(or person authorised by creditor)

Notes:

Under the Corporations Regulations, a creditor is not entitled to vote at a meeting unless (Regulation 5.6.23):

- a. his or her claim has been admitted, wholly or in part, by the Joint Administrators; or
- b. he or she has lodged with the Joint Administrators particulars of the debt or claim, or if required, a formal proof of debt.

At meetings held under Section 436E and 439A, a secured creditor may vote for the whole of his or her debt without regard to the value of the security.

Proxies must be made available to the Joint Administrators.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

CORPORATIONS ACT 2001

APPOINTMENT OF PROXY
CREDITORS MEETING

RETAIL ADVENTURES PTY LIMITED
(ADMINISTRATORS APPOINTED)
ACN 135 890 845

*I/*We (1)
of
a creditor of Retail Adventures Pty Limited, appoint (2)
.....
or in his or her absence
as *my/our *general/special proxy to vote at the meeting of creditors to be held on Monday 2 September 2013 at 1.00pm
AEST or at any adjournment of that meeting.(3)

1. (i) to vote on all matters arising at the meeting (IF GENERAL PROXY)
- OR
- (ii) to vote for or against the following resolutions (IF SPECIAL PROXY)

ONLY COMPLETE THE FOLLOWING IF YOU HAVE APPOINTED A SPECIAL PROXY ABOVE.

Please circle your preferred voting option.

2. **To consider and if thought fit, pass one of the following resolutions (choose ONE of a, b, or c):**
- a. "That the Company execute a Deed of Company Arrangement." **FOR / AGAINST / ABSTAIN**
- b. "That the Administration end". **FOR / AGAINST / ABSTAIN**
- c. "That the Company be wound up and Vaughan Strawbridge, David Lombe and John Greig be appointed Joint and Several Liquidators". **FOR / AGAINST / ABSTAIN**
3. **To consider and if thought fit, approve the Joint and Several Administrators' future remuneration:**
- "That the remuneration of the joint and several Administrators, their partners and staff for the period 3 September 2013 to the completion of the Voluntary Administration on a time basis in accordance with the hourly rates of Deloitte Touche Tohmatsu and be approved in the amount of \$150,000.00 plus expenses, disbursements and GST. If a lesser amount is incurred, only the amount actually incurred will be paid."*
- FOR / AGAINST / ABSTAIN**
4. **To consider and if thought fit, approve the Deed Administrators future remuneration:**
- "That the remuneration of the Deed Administrators, their partners and staff for the period of the Deed of Company Arrangement on a time basis in accordance with the hourly rates of Deloitte Touche Tohmatsu and be approved in the amount of \$500,000.00 plus expenses, disbursements and GST. If a lesser amount is incurred, only the amount actually incurred will be paid."*
- FOR / AGAINST / ABSTAIN**
5. **If the company is wound up, to appoint a Committee of Inspection:**
- FOR / AGAINST / ABSTAIN**

DATED this

day of

2013.

Signature

CERTIFICATE OF WITNESS

This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the creditor, contributory, debenture holder or member must not be witnessed by the person nominated as proxy.

I, of
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him or her before he or she signed or marked the instrument.

Dated:

Signature of Witness:

Description:

Place of Residence:

* Strike out if inapplicable

(1) If a firm, strike out "I" and set out the full name of the firm.

(2) Insert the name, address and description of the person appointed.

(3) If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular resolution.

CORPORATIONS ACT 2001

APPOINTMENT OF PROXY
CREDITORS MEETING

RETAIL ADVENTURES HOLDINGS PTY LIMITED
(ADMINISTRATORS APPOINTED)
ACN 136 178 839

*I/*We (1).....
of
a creditor of Retail Adventures Holdings Pty Limited, appoint (2)
.....
or in his or her absence
as *my/our *general/special proxy to vote at the meeting of creditors to be held on Monday 2 September 2013 at 1.00pm AEST or at any adjournment of that meeting.(3)

1. (i) to vote on all matters arising at the meeting (IF GENERAL PROXY)
- OR
- (ii) to vote for or against the following resolutions (IF SPECIAL PROXY)

ONLY COMPLETE THE FOLLOWING IF YOU HAVE APPOINTED A SPECIAL PROXY ABOVE.

Please circle your preferred voting option.

2. **To consider and if thought fit, pass one of the following resolutions (choose ONE of a, b, or c):**

- a. "That the Company execute a Deed of Company Arrangement." **FOR / AGAINST / ABSTAIN**
- b. "That the Administration end". **FOR / AGAINST / ABSTAIN**
- c. "That the Company be wound up and Vaughan Strawbridge, David Lombe and John Greig be appointed Joint and Several Liquidators". **FOR / AGAINST / ABSTAIN**

3. **If the company is wound up, to appoint a Committee of Inspection:**
FOR / AGAINST / ABSTAIN

DATED this _____ day of _____ 2013.

Signature

CERTIFICATE OF WITNESS

This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the creditor, contributory, debenture holder or member must not be witnessed by the person nominated as proxy.

I, of
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him or her before he or she signed or marked the instrument.

Dated:

Signature of Witness:

Description:

Place of Residence:

* Strike out if inapplicable

(4) If a firm, strike out "I" and set out the full name of the firm.

(5) Insert the name, address and description of the person appointed.

(6) If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular resolution.

Appendix I – Administrators Receipts and Payments

Retail Adventures Pty Limited (Administrators Appointed)

Receipts and Payments as at 13 August 2013

	Total (\$) (Excluding GST)
Receipts	
Sales	1,589,280
Bank Interest	135,324
Cash at Bank - Pre Appointment	1,849,913
Pre appointment sale proceeds	3,010,000
DSG Licence Fee	130,958,766
Employee Entitlement Funding	4,377,640
Sale of Business	52,543,045
Sale of Business (Adjustment for Employee Entitlements)	2,600,000
Sale of Business (Adjustment for Stock)	3,800,000
Sundry Refunds	391,643
GST Payable	13,635,031
Total Receipts	214,890,642
Payments	
Administrators Remuneration	4,130,000
Administrators Disbursements	103,250
Deloitte Risk Services - OH&S	39,000
Deloitte Online (No GST)	16,197
Legal Fees and disbursements	1,345,208
Agents/Valuers Fees	24,290
Freight Charges	2,683,927
Transport / Courier	334,039
Vehicle Running Costs	257,691
Hire of Equipment	213,626
Security / Cash Collections	41,014
Hire of Meeting Room	14,557
Insurance	8,972
IT Service Suppliers	2,233,908
Telephone & Fax	63,088
Equipment lease payments	669,855
Commercial Rent Paid	55,070,139
Council Rates and Land Tax	150,303
Repairs & Maintenance	149,025
Electricity, Gas & Water	5,005,512
Waste disposal / cleaning	1,254,627
Wages & Salaries	52,994,469
Superannuation	3,883,387
Payroll Tax	2,907,844
Workers Compensation	821,781
Employee Entitlements (inc. sale adjustment)	9,065,246
Sale Adjustment - Employee Entitlements	8,367,020
Secured Creditor - Sale of Business	44,176,025
Postage, stationery and printing	152,932
Stock and Purchases	205,284
Sundry Expenses (GST included)	39,292
GST Clearing Account	15,050,954.00
GST Receivable	7,281,328
Withholding Tax (PAYG)	(8,482,213)
Total Payments	210,271,576
Balances in Hand	4,619,065

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK