

THIRD COMMITTEE OF CREDITORS MEETING

Retail Adventures Pty Ltd (Administrators Appointed)
("The Company")

Held at the Offices of Deloitte Touche Tohmatsu
Level 9 Grosvenor Place, 225 George Street, Sydney NSW 2000
On Friday, 11th January 2013 at 11.00 am (AEDT)

This is the annexure of 5 page(s) marked
referred to in the Form 5011 signed by
me/us and dated 21 January 2013

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Signature

Present: Vaughan Strawbridge Administrator, Deloitte Touche Tohmatsu
Jason Tracy Partner, Deloitte Touche Tohmatsu
Terence Law Deloitte Touche Tohmatsu

In Attendance: The following Committee members were in attendance in person or by phone:

Representative	Creditor	Attending?	By Phone/ In person?
Tina McGregor	Signet	✓	In Person
Chris Noel	TNW Australia Pty Ltd	X	X
Tina Shur	Mr. Fothergill's Seeds Pty Ltd	✓	By Phone
Damien Hodgkinson	DSG Holdings Australia Pty Limited	✓	In person
Matt Toner	National Union of Workers	X	X
Wayne Leslie	Basford Brands	X	X
Chris Kinden	Webb Distribution	✓	By Phone
Todd Horrell	Stockland Trust	✓	In person

Absentees: Wayne Leslie – Basford Brands
Chris Noel – TNW Australia Pty Ltd
Matt Toner – National Union of Workers

Opening of Meeting: At 11:05am (AEDT) on Friday, 11 January 2013 Vaughan Strawbridge declared the meeting open.

Vaughan Strawbridge stated that this is the Third Committee of Creditors meeting of Retail Adventures Pty Limited (Administrators Appointed) and it will be referred to as RAPL or the Company for the period of the meeting.

He introduced himself as one of the Joint and Several Administrators of the Company. He stated that his Joint and Several Administrators David Lombe and John Greig are not present and he passed on their apologies.

He then introduced members of his staff present at the meeting, being Jason Tracy, a Partner at Deloitte and Terence Law of Deloitte, both assist with the day-to-day carriage of the matter.

He saw that all Committee members present had signed the attendance register and noted that those members attending by teleconference would be taken as having signed the attendance register.

Appointment of Chairperson:

Mr Strawbridge stated that Pursuant to Regulation 5.6.17(1) of the Corporations Regulations, he was the Joint and Several Administrator and therefore will occupy the Chair.

The Chairperson asked if there were any objections to him occupying the Chair. There were no objections.

Purpose:

The Chairperson advised that the meeting was convened for the following purposes:

1. Provide an update on the current status of the voluntary Administration and the sale of business process
2. Obtain an update from Discount Superstore Group ("DSG") on their restructuring plan
3. To consider and if thought fit approve the Administrators' remuneration for the period 1 January 2013 to 31 January 2013

Tabling of Documents:

The Chairperson tabled the following documents:

- Notice of the Meeting of the Committee of Creditors dated 7 January 2013
- Remuneration Report dated 7 January 2013

There were no objections to the tabling of the documents and the Chairman noted the tabled documents as being read.

Time and Place of Meeting:

The Chairperson asked if there were any objections that the time and place was not convenient to the Committee members. There were no objections. Therefore pursuant to Regulation 5.6.14 of the Corporations Act 2001, he declared that the meeting was held at a time and place most convenient for the majority of persons entitled to receive notice of the meeting.

Quorum:

As a majority of members of the Committee of creditors are present, the Chairperson declared, in accordance with Regulation 5.6.16 of the Corporations Act 2001, that a quorum was present for this Committee of Creditors Meeting.

Voting on Resolutions:

The Chairperson advised that all motions are to be resolved on the voices, unless a poll is demanded (Regulation 5.6.19 and 5.6.20).

He asked that when a motion is called, could those who are in favour of the motion call aye and those against nay.

He stated that there are options for creditors to demand a poll. If creditors require more information regarding a poll at the time of voting on resolutions, please ask.

Confidentiality

- Information discussed and provided in this meeting is confidential and is not to be used for any other purpose
- Confidentiality agreements have been executed by all Committee members

Agenda:

The Chairperson stated that the agenda for today's meeting was to:

- Provide an update regarding the status of the Administration
- Provide the Committee with a progress report on the sale of business campaign
- Hear from Damien Hodgkinson, of DSG, concerning its restructuring plan for the business.
- To consider and if thought fit approve the Administrators' remuneration
- Any other business the Committee may wish to discuss.

Status of the Administration

Current position snapshot

The Chairperson provided a current position snapshot of the Administration:

Cash at Bank

- The Administrators have a cash at bank balance of \$19m
- The Administrators are operating four bank accounts:
 - Trading account (\$5.86m) – operating bank account for trading receipts and payments
 - Licence account (\$12.92m) – bank account for funding commitments payable by DSG under the licence.
 - Stock account (\$230,000) – used to pay suppliers for the release of stock on water / at wharf
 - USD account (\$8,000) – used to pay suppliers in US\$ for the release of stock on water / at wharf

Inventory

- Current commitments for new stock is greater than \$46m
- Under the licence terms DSG is required to keep inventory levels at a minimum of \$70m. The reason for this threshold is to ensure that there would be sufficient inventory to cover employee entitlements in the event of a full store shutdown. As such, the aim is to maintain the "Employee entitlements cover" ratio (Inventory/ Employee entitlements) at roughly 3:1.

- The Administrators currently have a total of \$70.1m in stock and cash (\$66.96m in stock; \$3.2m in cash). Therefore maintaining within the license agreement threshold and providing an “Employee entitlement cover” ratio of 3.4.
- The Administrators will continue to monitor the inventory position and noted that the stock level could reduce to \$62.4m and the Administrators will be in no worse position than on appointment given the reduction in employee entitlements which has occurred.

Store closures and leases

- On appointment there were 268 stores. At 6 January 2013, the Administrators had closed 32 stores and have on hand 236 stores.
- In addition to the 32 store closures, the Administrators have reviewed with DSG the property, plant and equipment under lease and disclaimed a number of leases not required in the go forward business.
- Disclaimed leases have generated annualised savings of approximately \$14.4m as part of the restructure of the business.

Staff redundancies

- The total number of employees made redundant through the Administration is 786 employees including casuals.
- To date the Administrators have paid out \$4.5m of entitlements with an estimated further \$1.1m to be paid over January / February relating to the January 2013 store closures (total \$5.6m).
- DSG has funded all termination payments.

Sale of business

The Chairperson then provided a brief summary of offers to date:

- 15 parties have expressed an interest in various parts of the business.
- To date 2 parties have expressed an interest in the business as a whole and 1 party interested in the property / lease portfolio.
- The Administrators are currently only liaising with parties that have expressed an interest in the whole business and provided indicative price guidance.

DSG restructuring plan

The Chairperson then handed over the meeting to Damien Hodgkinson who ran the Committee through DSG’s future plans to restructure the business.

Administrators’ remuneration

The Chairperson took the Committee through the consideration of fees for acting as Administrators of RAPL. The material was drawn heavily from the Remuneration Report contained as part of the circular to Committee members.

Administrators’ remuneration: 25 Nov 2012 – 31 Dec 2012

The Chairperson stated:

- From 25 November 2012 to 31 December 2012, actual Administrators’ remuneration incurred was \$823,262
- The actual fees incurred were \$298,833 less than the estimate approved by the Committee by way of resolution proposed at the Second Meeting of Creditors held on 7 December 2012.
- These fees have not been drawn to date and only the lesser amount will be drawn.

**Administrators' remuneration:
1 Jan 2013 – 31 Jan 2013**

The Chairperson explained work was forecasted to take place in each of the key areas:

Assets:

- Discussions and negotiations with freight forwarders and shipping lines for the release of stock to use in the business
- Discussions with DSG regarding leased equipment required for trading and disclaiming leased assets no longer required to operate the business
- Preparing and undertaking sale of business campaign. Liaising with interested parties

Creditors:

- Receive and follow up creditor enquiries
- Holding of Committee of Creditor meetings (where applicable)
- Receiving, assessing and settling / rejecting retention of title claims
- Commencement and preparation of the Administrators' Section 439A report

Employees:

- Implement staff redundancy program
- Preparation of letters to employees advising of their entitlements and options available
- Receive and prepare correspondence in response to employees objections to leave entitlements

Trade on:

- Authorising purchase orders for the Administrators' stores and DSG's stores
- Reconciling funds received from DSG to meet trading overheads
- Conduct store closure program for Administrators stores

Investigations:

- Meetings with RAPL IT staff to understand IT infrastructure and capture data
- Forensic analysis of specific transactions

Administration:

- Insurance arrangements for Administrators stores and DSG stores
- Reconciliation of pre and post Administration cash and EFTPOS receipts
- Filing of documents

**Resolution re:
remuneration for
1 Jan – 31 Jan**

The Chairperson then proposed the following resolution for the Company:

“That the remuneration of the Administration from 1 January 2013 to 31 January 2013 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 of 7 January 2013 of \$1,142,385.00 exclusive of GST, 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.”

The Chairperson declared the motion carried unanimously on the voices.

Any other business

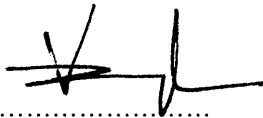
The Chairperson asked if there was any other business the Committee members wanted to raise/ discuss. There was nothing further.

Next meeting

The Chairperson advised that he proposed holding a further Committee meeting at the end of January/ early February 2013 to provide a further update on the sale process.

Closure of meeting

The Chairperson declared the meeting closed at 11:40am and thanked the Committee members for their attendance



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V N Strawbridge
Chairperson
Dated: 21 January 2013