

## SIXTH 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 Tuesday, 18<sup>th</sup> June 2013 at 9.00 am (AEST)

**Present:** Vaughan Strawbridge Administrator, Deloitte Touche Tohmatsu  
Rahul Goyal Deloitte Touche Tohmatsu  
Jacqui Allen Deloitte Touche Tohmatsu  
Teresa Chan Deloitte Touche Tohmatsu

**In Attendance:** The following Committee members were in attendance:

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

#### Opening of Meeting:

At 9:05am (AEST) on Tuesday 18<sup>th</sup> June 2013 Vaughan Strawbridge declared the meeting open.

Vaughan Strawbridge advised that this is the Sixth 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 Rahul Goyal, Jacqui Allen and Teresa Chan of Deloitte, who assist with the day-to-day carriage of the matter.

He noted that all members in attendance were attending by teleconference and would be taken as having signed the attendance register.

<b>Appointment of Chairperson:</b>	<p>Mr Strawbridge advised 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.</p> <p>The Chairperson asked if there were any objections to him occupying the Chair. There were no objections.</p>
<b>Purpose:</b>	<p>The Chairperson advised that the meeting was convened for the following purposes:</p> <ol style="list-style-type: none"> <li>1. Provide an update on the current status of the Voluntary Administration</li> <li>2. Provide an update on the Administrators' investigations</li> <li>3. To discuss the timing of the second meeting of creditors and potential outcome</li> <li>4. To consider and if thought fit approve the Administrators' remuneration</li> <li>5. Any other business.</li> </ol>
<b>Tabling of Documents:</b>	<p>The Chairperson tabled the following documents:</p> <ul style="list-style-type: none"> <li>• Notice of the Meeting of the Committee of Creditors dated 7 June 2013</li> <li>• Remuneration Report dated 7 June 2013.</li> </ul> <p>There were no objections to the tabling of the documents and the Chairman noted the tabled documents as being read.</p>
<b>Time and Place of Meeting:</b>	<p>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.</p>
<b>Quorum:</b>	<p>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.</p>
<b>Voting on Resolutions:</b>	<p>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).</p> <p>He asked that when a motion is called, could those who are in favour of the motion call aye and those against nay.</p> <p>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.</p>
<b>Confidentiality:</b>	<ul style="list-style-type: none"> <li>• Information discussed and provided in this meeting is confidential and is not to be used for any other purpose</li> <li>• A copy of the minutes of this meeting will be lodged with ASIC, placed on the Administrators website and provided to Committee members.</li> </ul>

## **Update of the Administration**

The Chairperson familiarised the Committee with those items discussed in the 5<sup>th</sup> Committee of Creditors meeting.

The Chairperson advised that the following matters have progressed since the last meeting:

- A position paper outlining the Administrators view of the solvency of the Company at various dates has been provided to the Director and her advisors
- The Administrators investigations in respect of recovery actions available to a Liquidator
- DSG have socialised a potential DOCA dividend amount of 5¢ in the dollar with their suppliers, landlords and employees.

The Chairperson advised the current status of the following:

- Employees
  - The Administrators continue to pay the wages and overheads for employees with funds being provided by DSG
  - DSG is in the process of offering employment to Queensland distribution centre staff
  - Offers of employment to the remaining staff are dependent on the date of the second meeting of creditors and the assignment of leases
- Stores / leases
  - DSG are continuing to negotiate the remaining leases with the assistance of the Administrators
- Victorian distribution centre (“VDC”)
  - The VDC will be closed over the next 3-6 months. Staff at the VDC have been notified.

## **Investigations**

The Chairperson advised that the Administrators investigations had progressed. He noted that the recoveries were only available to a Liquidator.

### **Validity of the Bicheno security**

The Chairperson reiterated the situation surrounding Bicheno’s security, being that loans provided prior to the granting of security were on a subordinated basis. If the Company was insolvent when the security was granted, the security may be invalid. The Administrators believe there is an argument that between \$39million and \$50million of Bicheno’s \$77million security may be invalid and thus these loans should be unsecured and subordinated.

Action could be taken by a Liquidator to have this security invalidated. If the Liquidator was successful, a cash payment as part of the sale of the business to DSG may be required of up to \$18million. The Chairperson noted that the Administrators’ have first ranking security over DSG in order to safeguard the interests of creditors who would benefit from the cash payment.

The Chairperson advised that the Administrators’ have provided a position paper to the Director and her advisors detailing their opinions and summarising their evidence in this matter.

The intention was to swap position papers to allow the Administrators to consider the defences available to the Director. However the Chairperson advised that it is unlikely that the Director will respond to the position paper provided to her.

### **Preference Payments**

The Chairperson reiterated that a preference payment is one where a creditor received preferential treatment over other creditors, i.e. received a greater proportion of the money owing to them than they would have in a winding up. In order to prove a creditor received an unfair preference payment, a Liquidator must demonstrate that the company was insolvent at

the time the creditor received the payment or benefit or became insolvent as a result of the transaction. A defence is that the creditor had no reasonable grounds for suspecting that the company was or would become insolvent.

The Chairperson advised that the Administrators have furthered their investigations into this matter and believe there to be significant preference payments that a Liquidator could seek to recover from suppliers. He stated that the recoverability of these claims depends on the suppliers' ability to pay which could have a significant impact on that supplier's solvency.

Tina McGregor of Signet queried whether some creditors may have a defence against these actions.

The Chairperson advised that some creditors may have a defence however the Administrators current estimate of the potential return to creditors in a Liquidation scenario takes this into consideration. Consideration has been made by only including preference claims where the Administrator believes sufficient evidence is available to take action.

The Chairperson took the Committee through the categories of preference claims totalling \$50million.

### **Insolvent Trading**

The Chairperson advised that the Administrators believe there to be compelling evidence that the Company traded whilst insolvent and that there may therefore be a claim against the current and previous Directors for compensation. He advised that the issue is determining the likely recovery from an action, the costs of running an action and the likelihood of success which depends on the defences available to the aforementioned parties.

The quantum recoverable will also depend on the defendant's ability to pay. The Administrators have requested but not yet received details of the Director's financial position. The Chairperson advised that a Liquidator may also be able to recover funds from the insurer. Based on the level of cover granted, the insurance claim would cover a portion of the insolvent trading claim but not all. As such the financial position of the Director is still relevant.

### **Meetings held by DSG**

The Chairperson discussed the meetings held by DSG for the benefit of their suppliers, landlords and employees. The Administrators understand that in these meetings DSG intimated a potential DOCA dividend of 5 cents in the dollar. The Chairperson noted that based on the Administrators estimate of the Deed Administrators costs and the level of creditors, a DOCA contribution of approximately \$5.4million would be required to provide 5 cents in the dollar to unsecured creditors subject to the employees and related entities not proving.

Chris Noel of TNW Australia Pty Ltd stated that at the meetings held by DSG with their suppliers, landlords and employees a DOCA proposal of 6 cents in the dollar was intimated.

### **Analysis performed**

The Chairperson then discussed some of the forms of evidence gathered by the Administrators to date, being:

- Aged creditor analysis
- The date that the current outstanding debts were incurred
- Company board papers
- Email correspondence
- An analysis of the Company's available cash against the overdue credit balance
- Ratio analysis.

The Chairperson advised that the Administrators had also performed an analysis of the expected recoveries and costs in various scenarios. In order for the Administrator to recommend a DOCA proposal, it needs to provide a better return to creditors than in the event

of Liquidation.

The Chairperson presented a table showing the Administrators current estimated recoveries and costs in a Liquidation scenario on both a high and low basis. He advised that this estimate is likely to change as further information becomes available.

The Administrators' estimated realisations include:

- Cash at bank
- Proceeds from the sale of business – this would only come about if a Liquidator were able to invalidate Bicheno's security
- Preference payments – the recoverability of preference payments depends on the suppliers' ability to pay and defences available to the supplier. The high and low scenarios calculated by the Administrators take this into account by discounting the preference payment claims recoverability based on past experience
- Insolvent trading – the recoverability of this claim depends on the financial position of the defendants and has been discounted based on past experience.

The Administrators' estimated costs include:

- Administrators / Liquidators / Deed Administrators remuneration and disbursements
- Legal fees and disbursements
- Litigation premium – a litigation funder may be required by a Liquidator so that the costs of taking action against the various parties may be covered. Based on discussions with litigation funders to date and the experience of the Administrators in previous engagements, a litigation premium of 30% of the insolvent trading claim has been used. This premium has not been applied to preference payments.

The Chairperson advised that, as detailed in the presented table, the costs of recovery actions will be significant. A Liquidator will only commence an action if there are sufficient resources to litigate the claim. Consequently a third party litigation funder is the likely source of resources.

The Chairperson advised that while these costs are significant the Administrators' current estimated return to creditors in a Liquidation scenario is in the range of 22.2 to 48.59 cents in the dollar. Any DOCA proposed will need to provide a better return than Liquidation to obtain the Administrators recommendation. If a DOCA proposal provided a return of 20 cents in the dollar, the likely DOCA contribution required would be approximately \$18.8million.

Chris Noel of TNW Australia Pty Ltd queried whether a DOCA proposal would be provided directly to the creditors by DSG.

The Chairperson advised that should a DOCA be proposed by DSG it will be provided to the Administrators who will then make an assessment of it and provide a summary to creditors in the upcoming report to creditors.

Chris Noel queried whether the Administration ends if the creditors vote for a DOCA at the second meeting.

The Chairperson advised that if the creditors vote for a DOCA at the second meeting of creditors then the Voluntary Administration would end but the Company would be listed as subject to a Deed of Company Arrangement and a Deed Administrator would be appointed. The Deed Administrator would be responsible for receiving the Deed contribution and distributing it between the creditors in the nature detailed by the DOCA. The Deed Administrator will manage the DOCA fund and the control of the Company will be returned to the Director upon the DOCA being entered into.

Wayne Leslie of Basford Brands queried what is required going forward.

The Chairperson advised that it is in the best interests of creditors for as many of the Company's leases to be transferred as possible. While the Administrators will continue to progress their investigations, only a Liquidator is able to bring any action. Once the Administrators receive a DOCA proposal we will be in a position to finalise our s439A report

to creditors and convene the second meeting of creditors.

Todd Horrell of Stockland Trust requested a copy of the slides used in the meeting as he could not view them.

The Chairperson advised that at a time to be separately arranged, Mr Horrell would be taken through the slides.

Wayne Leslie of Basford Brands queried the current trading performance of the DSG business.

The Chairperson advised that he was not aware of DSG's current trading performance. He advised that his staff monitor DSG's stock levels to confirm it remains above the required level of \$60million.

**Second creditors meeting**

The Chairperson advised that the second creditors meeting must be held on or before 2 September 2013. The sale agreement and court orders dictated this date. The meeting can be brought forward if DSG would like to.

**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:  
1 April 2013 –  
30 April 2013**

The Chairperson stated:

- From 1 April 2013 to 30 April 2013, actual Administrators' remuneration incurred was \$292,572.50.
- The actual fees incurred were \$42,852.50 less than the estimate approved by the Committee by way of resolution proposed at the Fifth Meeting of Creditors held on 10 April 2013
- Only the lesser amount was drawn.

**Resolution re:  
remuneration for  
1 May 2013 –  
24 May 2013**

The Chairperson then proposed the following resolution for the Company:

*“That the remuneration of the Administration from 1 May 2013 to 24 May 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 June 2013 of \$206,216.50 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.”*

The Chairperson declared the motion carried unanimously on the voices.

**Resolution re:  
remuneration for  
Deloitte Risk  
Services**

The Chairperson then proposed the following resolution for the Company:

*“That the remuneration of Deloitte Risk Services, their partners, and staff, for the period of the Administration from 15 January 2013 to 27 April 2013 is fixed at a sum equal to the cost of time spent by Deloitte Risk Services and the Deloitte Risk Services' partners and staff, calculated at the hourly rates as detailed in the Remuneration Report of 7 June 2013 of fees equalling \$8,298.50 plus GST and disbursements, and that the Administrators can pay the remuneration as required.*

The Chairperson declared the motion carried unanimously on the voices.

**Resolution re:  
remuneration for  
25 May 2013 –  
30 June 2013**

The Chairperson then proposed the following resolution for the Company:

*“That the remuneration of the Administration from 25 May 2013 to 30 June 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 June 2013 of \$284,747.50 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.”*

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.

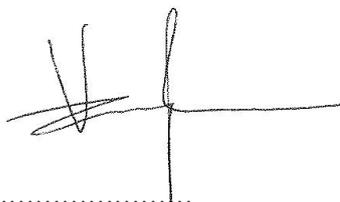
Chris Noel queried when the second meeting of creditors would be held and advised that a major trade show is due to take place from 3 August 2013 to 7 August 2013. Mr Noel recommended that the second meeting not be held throughout this period as a number of creditors may be unavailable.

**Next meeting**

The Chairperson advised that he proposed holding a further Committee meeting in to be held following receipt of the DOCA proposal from DSG so that the DOCA may be socialised within the Committee prior to the report to creditors being sent.

**Closure of meeting**

The Chairperson declared the meeting closed at 12:10pm and thanked the Committee members for their attendance.



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**V N Strawbridge**  
Chairperson  
Dated: 20 June 2013