

*Retva Limited (formerly
known as Postie Plus Group
Limited) (Administrators
Appointed)*

Report by Joint and Several Administrators
pursuant to Section 239AU of the Companies
Act 1993

28 August 2014

Important notices

Watershed Meeting

The purpose of the Watershed Meeting is to decide the future of Retva Limited (formerly Postie Plus Group Limited)(Administrators Appointed) (**Retva** or the **Company**). Prior to the Watershed Meeting, we are required to investigate the affairs of the Company and prepare a report on the Company's business, property, affairs and financial circumstances and provide opinions on certain matters. That is the purpose of this report.

The Watershed Meeting of creditors of Retva (Watershed Meeting) will be held at:

PricewaterhouseCoopers
Level 22
188 Quay Street
Auckland City

on **Monday 8 September 2014** commencing at **11.00am**.
Registration for all creditors and employees will open at 10.30am.

A copy of this report, together with other information relating to the Administration of the Company can be found at the PwC dedicated website at <http://www.pwc.co.nz/postieplus/>

Statutory requirements

All information contained in this report is provided in accordance with Section 239AU of the Companies Act 1993 (the Act).

Basis of reporting

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.

Information available

We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect the Company. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.

The statements and opinions expressed in this report are based on information available as at the date of the report.

We reserve the right, but will be under no obligation, to review or amend our Report, if any additional information, which was in existence on the date of this Report was not brought to our attention, or subsequently comes to light.

Other

Certain numbers in table throughout this report have been rounded and therefore may not add exactly.

Unless otherwise stated all amounts are expressed in New Zealand dollars.

Contents

1	Company Background and History	4
2	Voluntary Administration Appointment	5
3	Factors Leading to Voluntary Administration	6
4	Property and Obligations at date of Voluntary Administration	7
5	Actions taken by the Administrators	8
6	Initial Creditors' Meeting and Creditors' Committee	9
7	Sale of Postie Plus business and assets to Pepkor	10
8	Updated liability position	11
9	Remaining Assets of the Company	12
10	Alternatives for Conclusion of the Voluntary Administration	13
11	Administrators' Opinion	14
12	Glossary	15

Company Background and History

The Company was incorporated in December 2000 and operated retail stores throughout New Zealand under the Postie Plus brand, offering a wide range of products including apparel for women, men, and children; sleepwear; thermals; lingerie; accessories and cosmetics; and school uniforms.

The Company was originally a family-owned business which started in Westport in 1909. It underwent significant growth in the 1980s, and the Clothes For Less retail stores were opened in the 1990s forming the basis for the current Postie retail chain. Further expansion occurred during the 1990s with the purchase of Warehouse Clothing and Waimate Knitwear.

The Company merged with Babycity, a baby and children's apparel chain in 2002 and in 2003 purchased Rendells (a retail chain) and Arbuckles (specialising in manchester). Arbuckles and Babycity were subsequently sold in 2008 and 2012 respectively.

SchoolTex, a national brand for school uniforms, sportswear and footwear, was established by the Company in 1997. The SchoolTex brand supplied uniforms in respect of 1,500 schools through Postie Plus retail stores and by direct bulk sales. This business was sold to The Warehouse Group Limited on 28 February 2014.

The Company was listed on the New Zealand Stock Exchange (NZX) following a public issue of 20 million shares during 2003. The 20 largest shareholders hold approximately 48% of the issued capital. There are approximately 1,680 shareholders at present although the shares are currently suspended from trading.

In 2011/12, the Company decided to relocate its warehousing and most of its administrative functions from Christchurch to Auckland. The finance, information technology (IT) and SchoolTex functions continued to be partially based in Christchurch.

The Company leased all of its 81 retail stores and its head office and had approximately 650 employees. The majority of the staff were based at the retail stores nationwide, with approximately 60 administrative staff located at the Auckland head office and four in the Christchurch office.

The tables below set out the reported financial performance and position of the Company from FY11 to the half year ended 2 February 2014 (1HFY14).

Statement of Financial Performance (Excluding Babycity)

\$ in 000s	FY11	FY12	FY13	1HFY14
Total Sales	95,248	94,730	84,580	38,952
Cost of Sales	(43,721)	(42,691)	(42,523)	(16,756)
Gross Margin	51,527	52,039	42,057	22,196
Retail Operating Expenses	(26,405)	(27,342)	(27,146)	(16,306)
Indirect Operating Expenses	(20,254)	(21,107)	(21,104)	(7,952)
Total Operating Expenses	(46,659)	(48,449)	(48,250)	(24,258)
EBITDA	4,867	3,589	(6,193)	(2,062)
Depreciation and Amortisation	(2,710)	(2,665)	(2,228)	(1,026)
EBIT	2,157	925	(8,421)	(3,088)
Interest Expense	(850)	(601)	(772)	(507)
Net Profit/(Loss) Before Tax	1,308	323	(9,193)	(3,595)

Source: FY11-FY13 Management accounts (excluding Babycity) and 1HFY14 unaudited interim accounts

Statement of Financial Position (Excluding Babycity)

\$ in 000s	FY11	FY12	FY13	1HFY14
Current Assets	24,977	26,970	23,349	22,885
Current Liabilities	11,024	9,573	7,440	28,562
Working Capital	13,952	17,397	15,909	(5,677)
Non-Current Assets	11,843	10,374	7,349	6,458
Total Assets	36,820	37,344	30,698	29,343
Non-Current Liabilities	8,610	9,780	16,785	25
Total Liabilities	19,634	19,353	24,225	28,587
Net Assets	17,186	17,992	6,474	756
Equity				
Total Equity	17,186	17,992	6,474	756

Source: FY11-FY13 Management accounts (excluding Babycity) and 1HFY14 unaudited interim accounts

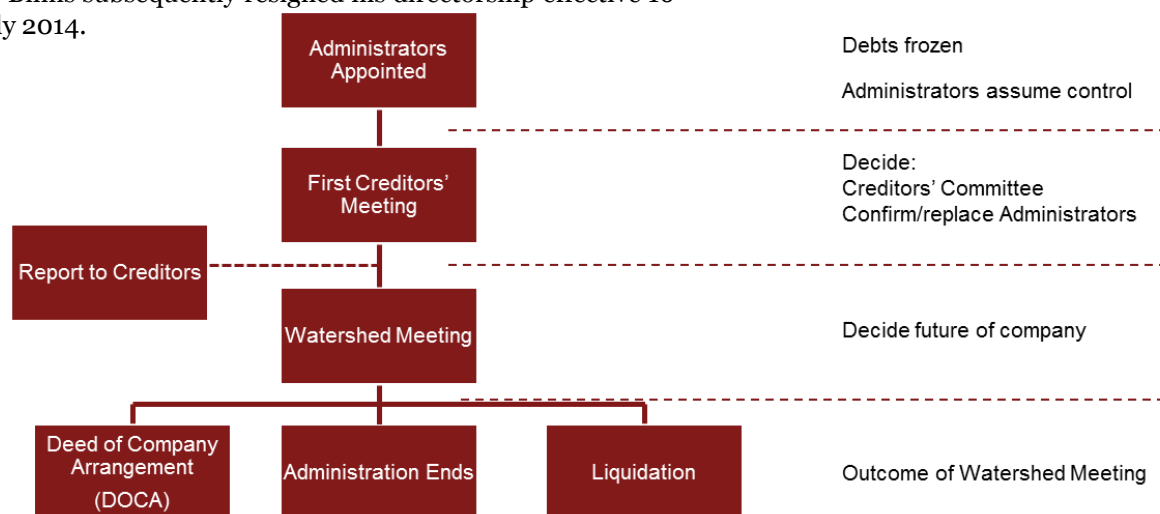
Voluntary Administration Appointment

Appointment of Administrators

David John Bridgman and Colin Thomas McCloy (the **Administrators**) were appointed joint and several Administrators of the Company on 3 June 2014 at the request of its Directors, pursuant to section 239I of the Act.

Section 239AP of the Act requires disclosure in respect of whether the Administrator or the firm of which the administrator is a partner, has a relationship with the company in administration, or any of its officers, shareholders, or creditors. Prior to consenting to appointment as Administrators we disclosed relationships that the Administrators and PwC had with the Company and its secured creditors to the High Court and we obtained orders from the High Court for leave for us to act as Administrators of the Company. A copy of these orders was provided with the notice of the first meeting of creditors. Further disclosures were made at the first meeting of creditors in accordance with the Act.

At the date of appointment the Company had four directors: Richard Punter (Chairman), Kylie Tate, Murray Holdaway and Richard Binns (Chief Executive) (collectively the **Directors**). Mr Binns subsequently resigned his directorship effective 16 July 2014.



Objective of Administration

The Act sets out the objectives of a voluntary administration as:

- To maximise the chances that the company, or as much as possible of its business, continues in existence as a going concern in order to maximise the returns to creditors and shareholders, or
- If it is not possible for the company or its business to continue operating, to then develop alternative strategies to provide a better return to creditors and shareholders than would result from a winding up of the company.

Upon appointment of Administrators, all claims against the company are frozen with the exception of the rights of general secured creditors. This provides a moratorium period during which the Administrators assume control of the company's business, property and affairs.

Key stages of the Administration process are set out below:

Factors Leading to Voluntary Administration

The Directors were asked to complete a Statement of Position (the **Directors' Statement**) pursuant to section 239AF of the Act which was received by the Administrators on 26 August 2014.

The Directors' Statement contains summary information about the assets and liabilities of the Company as at the date of voluntary administration and the Directors' views on the reasons leading to the appointment of Administrators. A copy of the Directors' Statement will be tabled at the Watershed Meeting pursuant to section 239AF(3) of the Act.

Based on the Statement and the Administrators' own enquiries and analysis we have identified a number of key issues which impacted the Company's performance in the lead up to the Voluntary Administration.

The Company's retail business had been stagnating over recent years with no substantial growth evident and financial difficulties arose due to a combination of factors including:

- declining revenues in a highly competitive and rapidly changing retail market. Over the five years between FY09 and FY13, total revenues declined 23%. The Postie Plus business faced numerous challenges, including widespread discounting, intense competition from larger chains that enjoy greater economies of scale and are able to advertise more extensively at lower cost, and increasing competition from the online channel. Retail trading statistics show that even when most of the retail sector has been enjoying more buoyant times, the apparel sector has struggled to achieve any real growth;
- an absence of adequate profitability. Against a backdrop of declining revenues, Postie was unable to reduce its cost base to any material extent and in fact operating costs actually rose over this period, meaning that its profitability was eroded as the business shrunk;

- management changes, which occurred at or around the time that the head office was relocated to Auckland, including the absence of a Chief Executive between February 2013 and September 2013, meaning the Company lacked leadership through a period when it was most needed;
- the decision to change its third party logistics services provider and relocate the Distribution Centre to Auckland in August 2012. This resulted in significant commissioning costs being incurred and subsequently more endemic and ongoing operating problems became evident which severely handicapped the business throughout the early part of 2013, resulting in lost market share and a decline in revenues that the business never recovered from; and
- a growing level of core bank debt that ultimately became unsustainable.

Various steps were taken to try to address the Company's financial difficulties, such as:

- implementing a range of cost reduction initiatives;
- selling off separable business units;
- seeking a new cornerstone investor; and, more recently
- seeking a purchaser for the entire business.

Whilst some of these activities were successful, such as the sale of SchoolTex early in 2014 which enabled a reduction in overall debt levels, it was unfortunately insufficient to enable a successful turnaround for the Company.

In light of the Company's financial position, its on-going trading difficulties and anticipated cash flow shortfalls, the Directors decided to request the appointment of Administrators.

Property and Obligations at date of Voluntary Administration

Property

Based on the Directors' Statement and the Administrators' own enquiries and analysis, the Company's primary reported business assets at the date of Administration comprised the following:

- Inventory
 - The recorded book value of trading inventory held in stores, at the two distribution centres and in transit was c.\$16.7m.

- Fixed assets
 - The recorded book value of these assets was as follows:

	\$ in 000s
Land and buildings - leasehold	841
Office furniture and equipment	207
Plant and equipment	29
Shop fittings	2,830
IT hardware and software	518
Total	4,426

- Cash on hand, debtors and pending sales receipts
 - These assets, totalling \$1.2m. represented store cash floats, miscellaneous debtor balances and pending banking from retail sales.
- Brands and other intellectual property
 - Whilst no specific value was attributed to these assets, Postie Plus is a recognised national band with an established customer base and a number of registered trademarks for product brands.

- An established national retail network and associated infrastructure (leases, staff, operational framework)
 - Whilst no specific value was attributed to this asset, the Company held 88 leases, primarily for retail sites, with others relating to offices in Auckland and Christchurch, car parks and storage facilities and a network and structure in place for operating the retail business.

Obligations

Based on the Directors' Statement and the Administrators' own enquiries and analysis, the Company's known liabilities and obligations at the date of Administration comprised the following:

- Secured creditors
 - The Company's bank, Bank of New Zealand (**BNZ**), was owed \$13.7m, including operating accounts, foreign exchange exposures and contingent obligations (letters of credit/bonds).
 - Inventory suppliers having registered purchase money security interests (**PMSIs**) in respect of goods on hand at appointment of \$0.7m

- Unsecured creditors
 - The recorded book value of these liabilities was as follows:

	\$ in 000s
Trade creditors	6,379
Customer liabilities (layby, loyalty, gift cards)	519
Employee entitlements	3,317
Inland Revenue (GST/PAYE)	483
NZ Customs	431
Total	11,129

- Contractual contingent liabilities
 - The Company had long term obligations in respect of its lease agreements. Whilst not a crystallised liability, based on the calculation undertaken by the Company for its FY13 annual report, these obligations totalled \$26.4m.

Actions taken by the Administrators

Following assessment of the options available, including analysis of a potential restructure and/or controlled wind down of the existing business, it was determined that a sustainable and financially viable operating structure within the existing Company could not be achieved. Accordingly, the Administrators' determined that pursuing a sale of the business as a going concern was appropriate in order to maximise the recovery and outcome for the benefit of all creditors.

The Administrators continued the day-to-day trading of the business (to the extent that it was practicably possible under the circumstances) whilst working to achieve a sale of the business.

Operation of the business

Upon appointment PwC representatives immediately attended the two administrative offices and 31 retail stores nationwide to advise employees of the situation and provide information directly. The remaining stores were contacted by PwC staff and representatives of the Company were briefed in each location to ensure the position was communicated to all staff.

The Administrators contacted all key stakeholders to the business advising them of the appointment and to request their on-going support during the Administration process.

Rolling stocktakes were underway upon appointment and these were continued during the Administration period to maintain integrity in respect of the inventory position. All inventory orders were placed on hold during the trading period as it was determined that existing inventory holdings were sufficient to support retail sales during the immediate period whilst a buyer for the business was sought. Marketing activity for the business was maintained to the extent that the business required this to support sales in the short term.

Upon appointment, the Christchurch office was still operating with four administrative employees. The office was due to close on 20 June 2014. In order to minimise on-going lease and other obligations in respect of the premises, this office was closed on 6 June 2014.

Prior to the appointment of Administrators, the Company's management had been reviewing its store network. Based on the findings of this review 12 stores were identified which were no longer considered viable or unable to continue due to premises issues. Following discussions between Management and the Administrators, the decision was made to close these the first week of July. The closures affected 64 employees, 17 of whom were able to be redeployed to fill vacancies at other stores within the network.

A further four stores were closed on 17 July 2014, as the associated leases were unable to be transferred to the purchaser of the business. 27 employees were made redundant as a result of the further store closures. These employees were offered temporary casual employment by the purchaser to assist with the closure process.

Sale of the business as a going concern

The Administrators continued to progress discussions with a potential purchaser that had expressed an interest in the business prior to Voluntary Administration, in an effort to complete a sale of the Postie Plus business as a going concern.

A Heads of Agreement was executed on 4 June 2014. The business and assets were subsequently sold as a going concern to Postie Plus Group Limited (formerly Roan Limited) (**Roan**), a wholly owned subsidiary of Pepkor South East Asia Pty Limited (**Pepkor**), on 18 July 2014. The sale is discussed in further detail later in this Report.

On-going activities

Following the sale of the business, the Administrators have been undertaking post-completion matters, including paying trading obligations incurred during the period of Administration, addressing employee and other creditor issues and meeting other administrative and statutory obligations.

Initial Creditors' Meeting and Creditors' Committee

Resolutions put to meeting and outcome of voting

As is required under the Act, the first meeting of creditors was held on Thursday 12 June 2014 in Auckland.

The principal purpose of the meeting was to consider whether to replace the Administrators and whether to appoint a Creditors' Committee.

The meeting also gave creditors an opportunity to ask the Administrators questions in relation to the administration.

No alternative Administrator was nominated therefore the matter was not voted on with David Bridgman and Colin McCloy being confirmed as Administrators.

The matter of whether to appoint a creditors' committee was voted upon. For the resolution to be passed it required a majority in number (i.e. over 50%) representing at least 75% in value of those voting on the resolution.

The resolution to appoint a creditors' committee was passed with a 65% majority in number representing 89% in value.

Formation of Creditors' Committee and subsequent meetings of Committee

A creditors' committee was formed, comprised of the following creditors or their representatives:

- Longbeach Holdings Limited
- First Union (representing Union employees)
- Fio Fashions Limited
- Woodhouse Apparel Limited
- Y & R Limited
- NZ Post Group / Express Couriers Limited
- Jillian Paul (employee)

Subsequent to the initial creditors' meeting, three meetings of the Creditors' Committee have been held, on 20 June 2014, 18 July 2014, and 22 August 2014.

Discussions have been held with the Creditors' Committee in relation to the operation of the business while in Administration, the strategy adopted by the Administrators, the sale process, available options for the Company and the position of all creditors.

Sale of Postie Plus business and assets to Pepkor

Sale process

As noted earlier, a Heads of Agreement (**HoA**) with Pepkor for the sale of the Company's business and assets was signed by the Administrators on 4 June 2014.

Pepkor is a well established apparel and footwear retailer, originally based in South Africa, and now with retailing operations throughout Southern Africa, in Eastern Europe and Australia (where its operations include the Best & Less and Harris Scarfe chains).

Under the terms of the HoA, Pepkor immediately commenced a due diligence process. Detailed information regarding the Postie Plus business operations and assets was provided to Pepkor and its advisors to enable a full assessment of the business in a short time frame in order to minimise the disruptive impact of the Administration process on the longer term trading of the business.

In the interim, the Administrators continued to trade the business. During this period, the support and efforts of the Company's senior management and staff in adapting to operational changes and restrictions required under the Administration process, preparing information for and accommodating the due diligence process, and maintaining a positive and motivated culture across both the store network and administrative functions, proved invaluable.

The administrators also wish to again acknowledge the patience and support of the Company's creditors during this process, many of whom continued to provide goods and services to facilitate on-going trading whilst the sales process was underway.

On 16 July 2014, a conditional sale and purchase agreement (**SPA**) was executed between Roan and the Company. Under the SPA, completion of the sale was anticipated two to three weeks later, to enable a number of conditions as well as practical and legal requirements to be resolved so that the transfer of the business and assets as a going concern could occur.

Completion

The sale of the business to Roan under the SPA was completed on 18 July 2014 (**Completion**). Upon Completion, leases for 64 retail stores and associated supporting premises were transferred. Approximately 530 employees, including retail staff at the 64 transferred stores and the entire administrative and management team, accepted positions with Roan. The sale also included all of the Company's remaining inventory, fixed assets and trade-related receivables.

The premises for the four stores which were unable to be transferred were vacated, with the Administrators facilitating an orderly exit of these stores, including the transfer of inventory to other locations.

Following Completion, further work has been undertaken to meet requirements under the SPA, including administrative matters, agreement on the final inventory position and apportionment of costs for the month of July 2014 between the Company and Roan.

Outcome

The sale of the Company's business and assets was completed on the following financial basis:

- cash consideration (net of inventory and apportionment adjustments) of \$7.1m.
- The accrued leave and other contractual entitlements of continuing employees were transferred to Roan.
- The Company retained all net proceeds from the trading period prior to Completion.

We understand the relationship with the Postie Plus business represented a substantial percentage of income for many of the Company's creditors. Following the sale of the business as a going concern we understand that a large number of creditors have been able to re-commence the supply of goods and services under new arrangements with Roan. The going concern sale meant that employment for approximately 530 staff in the Company has been maintained.

Accordingly, in addition to the financial considerations achieved, the Administrators believe the strategy to sell the business as a going concern has maximised the outcome for creditors of the Company.

Updated liability position

During the Administration process, a number of payments and other matters that have arisen have altered the estimated liabilities of the Company.

General security holder

BNZ was owed \$13.7m by the Company at the date of the appointment. In addition, BNZ provided funding to the Administrators to meet initial costs and enable trading to continue whilst the sale of the business was pursued.

Following Completion and cessation of trading activities, net proceeds from the Administration have been applied in reduction of BNZ's debt. In addition, the sale of the business and Administrators' actions have facilitated the reduction of contingent obligations (e.g. letters of credit and bonds).

As a result, the Company's secured debt due to BNZ has been reduced to \$6.2m.

Other secured creditors

Two creditors held valid first ranking PMSI security over specific inventory on hand at the date of the Administration, with total associated secured claims of \$0.5m. Payments of \$0.2m were made to those creditors for inventory sold during the Administration and inventory remaining at Completion was excluded from the sale and dealt with by those creditors. Residual amounts owing to these creditors (e.g. for inventory not on hand at the date of the Administration) remains an unsecured liability of the Company.

Employees

Estimated employee obligations at the date of appointment totalled \$3.3m. As previously noted, the entitlements of approximately 530 employees who accepted positions with Roan have been transferred following the sale. There were 86 employees who did not transfer upon the sale of the business. These employees either resigned or were made redundant as a result of the closure of 16 stores and the Christchurch office during the period of the Administration.

The Administrators determined that the 86 employees would be paid all their outstanding entitlements with the exception of long service leave and time in lieu of notice. These entitlements, totalling \$0.4m, were paid on 21 August 2014. 65 employees have remaining unsecured creditor claims for time in lieu of notice and/or long service leave, totalling \$0.1m.

Inland Revenue and NZ Customs

Inland Revenue provided details of their claim and after further reconciliation a payment of \$0.2m has been made in respect of GST and PAYE/related liabilities. During the trading period NZ Customs was paid in full (\$0.3m).

The above amounts paid would have constituted preferential claims and required payment under the Act in the event of a liquidation of the Company.

Unsecured creditors

Claims and amended claims are still being received by the Administrators and therefore we are unable to confirm the precise position in respect of the total unsecured creditor liabilities on a claims made basis at this time.

Based on adjustments from other secured and employee creditors the estimate provided at the date of Administration would be amended to approximately \$7.3m. However, it is likely that this will reduce by a material amount as a result of Roan purchasing inventory that was in transit at the date of the appointment, as these obligations had previously been included in the estimate.

As at the date of the appointment, there were no outstanding liquidation applications against the Company.

Contingent obligations

All landlords will have a claim in the Administration for outstanding rent arrears incurred prior to 10 June 2014. However, the transfer of 66 of the Company's 88 lease arrangements as part of the sale of the business will mean that the \$26.4m estimated contingent lease liability at the date of Administration will be substantially reduced.

Remaining Assets of the Company

The Administrators currently hold funds of approximately \$1.6m. These funds have been retained with the consent of BNZ to meet operating obligations incurred and the residual costs of the Administration. Any remaining surplus will be distributed to BNZ under its security. Given the amount still outstanding to BNZ as the Company's secured creditor of approximately \$6.2m, there is a substantial shortfall and accordingly no funds are available for distribution to the Company's unsecured creditors.

The Administrators have identified three potential residual assets of the Company; its listed company status on the New Zealand Stock Exchange (NZX), accumulated tax losses and a potential litigation claim.

NZX listing

Existing listed shell companies (being companies that are no longer trading) can in certain circumstances have value, as a means of enabling a so-called back door or reverse listing on the NZX.

The Company could present such an opportunity and this would provide a potential means for creditors to realise some value if a reverse listing transaction could be implemented.

However, to avoid being placed in liquidation and maintain its NZX listed status whilst such an opportunity is investigated means that the Company would need to undertake a number of on-going administrative and compliance activities over at least the next 6-12 months at an estimated cost exceeding \$300,000.

The Company would require funding to meet such costs, the repayment of which will not be possible if a transaction does not eventuate.

After consulting the secured creditor, the Creditors' Committee and third parties, we do not believe such funding is available to the Company and therefore we do not consider that a reverse listing transaction is a realistic prospect for the Company.

Tax losses

The Company sustained significant operating losses from its trading activities prior to the Administration.

However, such tax losses can only be carried forward if sufficient ownership is maintained and can only be offset between different companies providing there is sufficient common ownership in respect of the two entities from the time that the loss was incurred through to the time that the loss is being utilised.

The Administrators have obtained specialist advice that it is unlikely that the tax losses can be utilised by any third party or carried forward to offset against taxable income that might be generated by the Company in future.

For these reasons, we believe that the Company's tax losses are unlikely to have any value.

Potential litigation

Prior to the appointment of Administrators, the Company had identified a potential claim in respect of its previous third party logistics provider.

We have sought further legal advice in respect of the merits of this potential claim. Due to the nature of the inquiries still being undertaken, the commercial sensitivity of the issues and potential legal consequences, we are unable to provide specific details regarding the potential claim or our findings to date. To do so could prejudice any potential legal proceedings that may take place.

Statement of receipts and payments

In accordance with the Act, this will be completed on a six-monthly basis or within 20 days of the Administration ending.

Alternatives for Conclusion of the Voluntary Administration

Watershed Meeting

A meeting of creditors is required to be held for the purpose of determining the Company's future (the **Watershed Meeting**) within 25 working days after the date of appointment, unless that period has been extended by the Court. Orders extending that period to 1 September 2014 were obtained under the Act. The Watershed Meeting must be held within 5 working days after that period expires, and accordingly will be held on **Monday 8 September 2014 commencing at 11.00am.**

Pursuant to Section 239ABA of the Act, creditors will be asked to vote at the Watershed Meeting to resolve one of the following outcomes:

- a) resolve that the company execute a Deed of Company Arrangement (DOCA) specified in the resolution; or
- b) resolve that the Administration should end; or
- c) unless the Company is already in Liquidation, by resolution appoint a liquidator.

Deed of Company Arrangement (DOCA)

A deed would be drafted by the Deed Administrator and executed by both the Deed Administrator and the Company in Administration to become a DOCA. It does not matter if the deed to be executed differs from any proposed deed of which details were given in the notice of the Watershed Meeting.

As far as section 239ACS of the Act stipulates, a DOCA is binding to the Company's creditors, the Company, the Company's directors, officers and shareholders, and the Deed Administrator.

Section 239ACN(2) of the Act sets out the contents of a DOCA. It must include details of:

- a) the property of the company that will be available to pay creditors;
- b) the nature and duration of any moratorium period for which the deed provides;

- c) to what extent the company will be released from its debts;
- d) the conditions (if any) for the deed to come into operation;
- e) the conditions (if any) for the deed to continue in operation;
- f) the circumstances in which the deed terminates.

The Administration should end

Should the Administration end the Company will be returned to the control of the directors, who will then be responsible for its continued existence.

Liquidation

A resolution may be passed to place the Company into liquidation. Should the resolution be passed, then unless there are any other nominations for the role of liquidator, the Administrators will become the liquidators of the Company (Section 239ABY of the Act).

Administrators' Opinion
- that the Company should be placed into liquidation

Recommendation

On the basis of all the information available to us, it is the opinion of the Administrators that the Company should be placed into liquidation.

Given its asset position as referred to in this report, the Company has no means of meeting the shortfall due to its secured creditor, the substantial amount due to unsecured creditors and the costs of maintaining its on-going existence and complying with its statutory obligations. The Company is clearly insolvent.

If the Company is not placed into liquidation, it will mean that the statutory requirement that will otherwise arise for a liquidator to consider whether there are any voidable transactions or other matters involving the Company and/or other parties that warrant enquiry, and which could yield further recoveries, will not be available for the benefit of unsecured creditors.

We have undertaken preliminary investigations as to whether there may have been voidable or other relevant transactions/activities during the period prior to the appointment of Administrators, with reference to potential recovery actions under the provisions of the Act should a liquidator be appointed to the Company, as well as assessing the likelihood of successfully recovering from the relevant parties.

Whilst our preliminary investigations to date have not identified any specific recovery avenues, further analysis would be required in the event of a liquidation process to finalise the position.

The Administrators are accordingly unable to comment at this stage on the timing and likely level of any recoveries (if any) for creditors in a liquidation of the Company.

Placing the Company in liquidation should not, of itself, prejudice the ability to pursue any recovery actions including the potential litigation claim referred to earlier in this report, although decisions on such matters will rest with the liquidator(s).

At the Watershed Meeting, creditors will therefore be asked to vote on a resolution to place the Company into liquidation.

Why a DOCA is not recommended?

A DOCA is not being recommended as in the Administrators' opinion there is no viable prospect of any additional recovery for the Company's unsecured creditors and shareholders with this option. In addition, as at the date of this report the Administrators have not received any proposal for a DOCA from the Company's directors or any of its creditors.

Moreover, any DOCA would require additional funding to be secured to meet the Company's on-going costs in order that the Company can continue in existence and the Administrators' inquiries indicate that no such funding is available.

Why is it not recommended that the Company be returned to the control of Directors?

It is the opinion of the Administrators that it would be inappropriate for the Company be returned to the control of its Directors as the Company is clearly insolvent and there are no funds available to maintain the Company's existence and meet its substantial outstanding obligations to its secured and unsecured creditors.

If the Administration was to terminate and the Company return to the control of its directors we believe it is almost inevitable that the Company would end up in liquidation given its insolvent status.

As at the date of this Report, the directors have not expressed any wish to the Administrators for them to re-take control of the Company.

Glossary

Our report includes a number of terms and short descriptions, which we define alongside

Term	Definition	Term	Definition
the Company	Retva Limited (formerly Postie Plus Group Limited) (Administrators Appointed)	m	Millions
Retva	Retva Limited (formerly Postie Plus Group Limited) (Administrators Appointed)	BNZ	Bank of New Zealand
the Act	The Companies Act 1993	Roan	Postie Plus Group Limited (formerly Roan Limited)
IT	Information Technology	Pepkor	Pepkor South East Asia Pty Limited
FY11, FY12, FY13	Financial Year ended 31 July 2011; 5 August 2012; and 4 August 2013 respectively	HoA	Heads of Agreement
1HFY14	Six months ended 02 February 2014	SPA	Sale and Purchase Agreement
the Administrators	Colin Thomas McCloy and David John Bridgman	Completion	The sale of the business to Roan under the SPA was completed on 18 July 2014
the Directors	Richard Punter, Kylie Tate, Murray Holdaway and Richard Binns collectively	EBIT/EBITDA	Earnings before interest and tax/ Earnings before interest, tax, depreciation and amortisation
Directors Statement	Directors Statement of Position	IRD	Inland Revenue Department
PMSI	Purchase Money Security Interest	GST	Goods and Services Tax
		PAYE	Pay As You Earn Tax
		DOCA	Deed of Company Arrangement