Hi,

I am regretfully a large shareholder of DSH. This is a large part of my life savings because I believe in Australia, the electronics industry and recognise that DSH is a high potential turnaround business with solid numbers as a bad base case - as long as they kept trading.

I had no idea that it was so close to a VA after the last published report 28 June 2015 declared a record profit, 29.5 Million in cash and reasonable debt provisions. Sure the debt had jumped up quickly yet management declared in the audio conference that it was not an issue. There was a non cash impairment and concern for Q4 trading being below expectations for Oct & Nov but what about Q3 2015? What about Dec 2015? Will DSH still release the results in February as scheduled?

This is the worst financial situation that I have ever faced as I can no longer trust the system that I cannot understand. I have wished I had not bought in or sold out but still have no idea what happened so how could I have made those decisions without the correct information.

So Saturday night was putting all the DSH numbers into a massive spreadsheet and comparing them............again.

I would really appreciate it if anyone can comment on the lines below to explain what was happening.

The summary for me is that most numbers seemed cyclical so I believe DSH should have been allowed to continue EXCEPT for the debt which just infested them in their final six months - WITHOUT ONE ANNOUNCEMENT ABOUT IT. The CFO even said on the phone conference 'no debt issues'. WHAT DID THEY USE THE DEBT FOR and why did they take it if they could not service it? How and why did they increase cash held and debt over the same period! What about responsible lending?

BALANCE SHEET

Major ^ between 12/14 and 28/6/15 (i.e last two published sets of numbers)

28 -6 -15 numbers that I am curious about

CA - Prepaid Expenses – less 333m

CA – Inventories – plus 288m (CEO said they bought stock early to take advantage of higher AUD). Also pattern for inventory with DSH was to skyrocket inventory then deplete in six month periods

CA – Other – less 434m (consistent pattern)

NCA – Investments – less 87m (consistent pattern)

NCA - PP&E – plus 93M (consistent pattern)

NCA – Other – less 115m (consistent pattern)

CL - Account Payable – plus 228M (consistent pattern)

CL - Short-Term Debt – plus 60M (highly irregular!)

CL – Other – less 316 M (consistent pattern)

The biggest abnormalities to patterns seemed the prepaid expenses (what was this for?) reduction and the rapid debt increase in six months.

CASH FLOW

Major ^ between 12/14 and 30/6/15 (i.e last two published sets of numbers)

30 -6 -15 numbers that I am curious about

Interest Received – plus 370k (abnormal pattern)

Tax paid 15M (double 30/6/14)

Proceeds and repayments of borrowings equalled every other period except 30/6/15 where proceeds were 123M and repayment was 52M. That and the dividend paid out hurt DSH cash flow.

Increased cash on hand by 12M to 29.5M (approximately the same as one year earlier)

I would really appreciate it if anyone can shed light on the above please.

Furthermore, - and to clarify the debt position - I add this from the annual report:

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities based on the earliest date on which the Group can be required to pay.

73M debt as at 28 / 6 / 15

21M due 4 to 12 months / 52M due > 12 months

1. **DEBT FACILITIES**

On 22 June 2015 the Group entered into a syndicated facility agreement with National Australia Bank Limited, Bank of New Zealand and HSBC Bank Australia Limited (together the "lenders").

Under the syndicated facility agreement, the lenders have made available an aggregate amount of $135,000,000. The facility is made up of the following components which took effect from 22 June 2015:

Tranche A $35,000,000 18 month revolving multi-option working capital facility

Tranche B $40,000,000 3 year revolving multi- option working capital facility

Overdraft Facility $60,000,000 12 month revolving overdraft facility

***** so whose debt really sunk DSH? Surely the 140M quoted in the media could not be the above in which case why was the new debt not disclosed?

And what recourse/remedies does anyone have if DSH blatantly breached their own internal policy - not to mention the corporations law.

eg.

CONTINUOUS

DISCLOSURE POLICY

http://dicksmithholdings.com.au/wp-content/uploads/2014/07/Continuous_Disclosure_Policy_-_18_July_2014.pdf

7.1 The guiding principle is that the Company must immediately disclose to ASX any information concerning the Group that a reasonable person would expect to have a material effect on the price or value of Company Securities.

7.2 If information would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of Company Securities, it is material.

7.3 Examples of the types of information that may need to be disclosed include:

(c) A change in asset values or liabilities;

(p) the commission of an event of default under, or other event entitling a financier to terminate, a material financing facility;

I believe Australia needs an open public q & a session with:

- Anchorage

- Deloitte (as auditors for IPO and DSH thereafter)

- CEO and CFO at the time of the collapse

- ASIC

- Dick Smith *whose name is being dragged down with this nonsense.

And we the public should be able to also pose questions!

THE SHAREHOLDERS

DSH strikes at the heart of my investment philosophy which assumes that I can trust 'the system'.

I have seen a lot of media and political commentary on gift voucher purchasers & employees etc. AND THEY should get the coverage. What about the money likely to be lost by shareholders? What about the 'part ownership of a great Australian business'? How do we replace that?

It seems that shareholders are just assumed to take the risk - so too bad. I take uncertainty/risks BASED ON the publicly released information which has still not explained the rapid destruction of what was Australia's oldest electronics retailer.

I agree with the Administrator's actions:
1) exiting DJs under the previous terms;
2) replacing the CEO & CFO (although unsure about the replacement - only because of lack of information eg. what are the incentives/remuneration/objectives?); and
3) streamlining the business.

but why does it take VA to do this basic management AND how much are the administrators charging?

Why is no one - with power - speaking out for shareholders?

Any help or direction that you can offer is appreciated.

thank you