

12 August 2025

Toys “R” Us ANZ Limited Independent Expert Report

Ref: LM

12 August 2025

Privileged & Confidential

The Administrators of Toys “R” Us ANZ Limited
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Dear Luke and Duncan,

INDEPENDENT EXPERT REPORT

INTRODUCTION

1. Toys “R” Us ANZ Limited, incorporating its 100% interest in Mittoni Pty Ltd (Mittoni), Hobby Warehouse Pty Ltd (Hobby) and Toys R Us Licensee Pty Ltd (Licensee), (collectively referred herein collectively as Toys R Us or the Companies) went into voluntary administration on 4 June 2025. Luke Andrews and Duncan Clubb of BDO were appointed Joint and Several Administrators by resolution of the Companies’ Directors pursuant to Section 436A of the Corporations Act and were subsequently appointed Administrators.
2. At the second meeting of creditors on 10 July 2025, the Administrators presented a report dated 3 July 2025, setting out the state of affairs of the Companies, details of their inquiries and analysis, and their efforts to find buyers for the assets or equity of the Companies.
3. In light of the trading losses and limited access to funding, the Administrators advertised the business and assets for sale on an urgent basis. The Administrators received 25 expressions of interest, of which 13 executed Confidentiality Deeds, and were provided access to the Data Room.
4. The Administrators received two offers for the sale of the entire business and assets. It is the opinion of the Administrators that one of the proposed offers, a pooled Deed of Company Arrangement (DOCA) is in the creditors’ interests. It is also the opinion of the Administrators that it was not in the creditors’ interests for the voluntary administration to end, nor for the Company to be wound up.
5. The creditors of the Company resolved that the Company execute the pooled DOCA proposed, with key details as follows:
 - a) The Deed Proponent is a special purpose acquisition vehicle and related entity of Directed Electronics Australia Pty Ltd (DEA).
 - b) DEA is a leading Australian distributor and brand owner across consumer electronics, automotive, and lifestyle categories, with a strong track record in omni-channel distribution and brand development.
 - c) DEA is a significant shareholder of the Companies and has a Commercial Services Agreement. It is also the current lessor of the warehouse premises at the Companies’ Clayton facility.
 - d) The pooled DOCA fund will comprise of \$2 million to be settled in a creditors’ trust and then distributed to Administrators’ fees and expenses, Deed Administrators’ fees and expenses, Creditors’ trust trustee fees and expenses, 16 of any 17 employees will be offered continuing employment with any non-continuing employees paid their entitlements in full. Unsecured creditors will be paid a distribution of up to 8 cents in the dollar.

- e) In addition to the above, the senior secured lender, with a total debt of \$14.377 million has agreed to a debt-equity swap and will be an excluded creditor for the purposes of the pooled DOCA fund.
6. On 10 July 2025, the Companies, the Administrators and the Deed Proponents executed the above pooled DOCA. A condition of the DOCA is that all of the issued shares in the Companies are transferred to company controlled by the DEA, either by obtaining written consent of the owners of the shares of the Companies pursuant to section 444GA(1)(a) of the Corporations Act or the making of orders pursuant to section 444GA(1)(b) of the Corporations Act. The Administrators were appointed as the Deed Administrators pursuant to the DOCA.
7. The Deed Administrators intend to apply to the Court for leave to transfer all the shares in Toys R Us to a company to be established (an entity associated with DEA) under section 444GA(1)(b) of the Corporations Act. Toys R Us will also apply to ASIC for relief from the takeover provisions in Chapter 6 of the Corporations Act. Prior to the hearing of the section 444GA application, the Deed Administrators will provide an Explanatory Statement to the shareholders of Toys R Us.

PURPOSE OF REPORT

8. The Deed Administrators have instructed Liesl Malcolm of Pitcher Partners Corporate Pty Ltd (Pitcher Partners) to prepare an Independent Expert Report (IER) assessing the value of the Toys R Us shares on a liquidation basis, in the absence of the DOCA (refer to section 2 for details). A copy of our engagement letter is detailed in Appendix 1.
9. We are aware that this report will be tendered to the Court by the Deed Administrators as part of the evidence in support of their section 444GA application. Accordingly, we confirm that we have read the Harmonised Expert Witness Code of Conduct (Code) contained in the Federal Court of Australia's Expert Evidence Practice Note and agree to be bound by it. We have made all enquiries which we believe are appropriate and desirable (save for any matters identified explicitly in this report) and no significant matters which we believe to be relevant have, to our knowledge, been withheld from the Court.
10. When preparing this report, Pitcher Partners has had regard to ASIC's regulatory guides RG 111 Contents of Expert Reports, RG 112 Independence of Experts and RG 6 Takeovers: Exceptions to the General Prohibition. The IER also includes other information and disclosures as required by ASIC.

ASSESSMENT OF LIQUIDATION VALUE AND SUMMARY OF OPINION

11. RG 111 requires an assessment of the value of the Toys R Us shares on a liquidation basis. We have adopted the definition of liquidation value from the International Valuation Standards (refer to section 6 for further details).
12. In assessing the liquidation value of Toys R Us shares, we have taken into consideration the financial difficulties faced by the Companies, in particular their inability to secure further funding to enable them to continue to meet working capital requirements, fund the purchase of inventory and continue to trade.
13. We further note that the Administrators have continued to trade the business, and the net liability incurred during the Administration to 2 July 2025 is \$285,913.
14. We have assessed the liquidation value of the Toys R Shares having regard to the assets and liabilities as at 10 July 2025. We have analysed and adopted the Administrators' assessment of the claims by creditors, balance of cash and near cash assets, and the likely recoverable value of other intangible assets. As per the Report to Creditors, the recoverable value of the net assets of Toys R Us is calculated to be negative but it excludes any recoverable amount for the intangible assets, which includes a license agreement with TRU Kids Inc. (TRU Kids), dated 1 January 2024, for the exclusive use of the Toys "R" Us and Babies "R" Us brands in Australia and New Zealand (the License Agreement).
15. In our valuation, we have assessed the value of the intangible assets to determine whether the net value of the equity would result in a positive net position. In doing so, we have assessed the value of the material intellectual property, namely the License Agreement based on the Relief from Royalty method.

16. We summarise our assessment in the following table:

Valuation summary as at 10 July 2025

(\$)	Low	High
Administrators assessed shortfall	(58,407,730)	(58,407,730)
Pitcher Partners adjustments		
Inventory Valuation	190,395	190,395
PPE Valuation	141,061	141,061
Software	-	467,000
IP License Agreement - Brands/Trademarks	-	10,116,144
Pitcher Partners assessed shortfall	(58,076,274)	(47,493,130)

Source: BDO 439A report, Pitcher Partners

Note*: amounts for inventory, PPE and intangible assets were withheld

17. **We have assessed the liquidation value of the issue shares in Toys R Us as at 4 June 2025 to be NIL. In our opinion, the recoverable amount from realising the assets of the Companies is insufficient to fund the full amount of the obligations of the Companies and hence there is no residual value for equity holders.**
18. **We further note that the above shortfall incorporates a registered All Present and After Acquired Property (AIPAPP) over the Companies by AMAL Security Services Pty Ltd (as trustee for the Privity Private Lending Trust), in respect of a senior term loan facility of up to \$15 million.**
19. The opinion is based on economic, market and other conditions prevailing at the date of valuation.
20. Our findings are detailed in the body of the report.
21. Pitcher Partners has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section. In preparing this report, we have considered the interests of Toys R Us shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

Yours sincerely
PITCHER PARTNERS CORPORATE PTY LTD



L MALCOLM
Executive Director
Authorised Representative



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1 Financial Services Guide

Pitcher Partners Corporate Pty Ltd

Pitcher Partners Corporate Pty Ltd (Pitcher Partners) carries on a business, and has a registered office, at Level 13, 664 Collins Street, Docklands VIC 3008. Pitcher Partners holds Australian Financial Services Licence No 229841 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Pitcher Partners has been engaged by the Deed Administrators to provide general financial product advice in the form of an independent expert's report. A copy of our engagement letter is attached in Appendix 1.

Financial Services Guide

This Financial Services Guide (FSG) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we provide, information about us, our dispute resolution process and how we are remunerated.

General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Pitcher Partners provides various corporate advisory services to privately owned businesses and small to medium sized public and ASX listed companies. These services may include mergers and acquisitions, valuations of businesses and intangible assets and equity (including employee incentive schemes), financial due diligence, loss of profit and compulsory acquisition matters, independent expert reports and independent limited assurance reports which are included in prospectuses of companies looking to list (predominately on the ASX).

Remuneration

When providing the report, Pitcher Partners client is Toys R Us. Pitcher Partners receives its remuneration from the Companies. In respect of the report, Pitcher Partners will receive from Toys R Us a fee in the range of \$40,000 to \$50,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report.

Except for the fees referred to above, no related body corporate of Pitcher Partners, or any of the directors or employees of Pitcher Partners or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

Independence

Pitcher Partners is required to be independent of Toys R Us and the pooled DOCA proponents in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112 Independence of expert issued by ASIC. The following information in relation to the independence of Pitcher Partner Corporate is stated below.

"Pitcher Partners and its related entities do not have at the date of this report any shareholding in or other relationship with Toys R Us or the pooled DOCA that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the pooled DOCA.

Pitcher Partners has no involvement with, or interest in the outcome of the pooled DOCA, other than the preparation of this report. Pitcher Partners will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the pooled DOCA. Pitcher Partners out of pocket expenses in relation to the preparation of the report will be reimbursed. Pitcher Partners will receive no other benefit for the preparation of this report.

Pitcher Partners considers itself to be independent in terms of RG 112 "Independence of experts" issued by the ASIC."

Complaints process

Pitcher Partners has an internal complaint handling mechanism and is a member of the Australian Financial Compliance Authority (membership no. 11800). All complaints must be in writing and addressed to the Complaints Officer at Pitcher Partners. We will endeavour to resolve all



complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Compliance Authority who can be contacted at:

Australian Financial Compliance Authority
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Pitcher Partners is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Pitcher Partners. Pitcher Partners will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Pitcher Partners has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.



2 Outline of the Pooled DOCA

2.1 Overview

- 2.1.1 On the basis that our valuation of Toys R Us shares is on a liquidation basis assuming the pooled DOCA is not implemented, we present only a summary of the DOCA for context in this report. Full details are included in the Explanatory Statement which this IER accompanies and in the Report to Creditors.

2.2 Key Terms

- 2.2.1 The creditors of the Company resolved that the Company execute the DOCA proposed, with key details as follows:
- a) The Deed Proponent is a special purpose acquisition vehicle and related entity of Directed Electronics Australia Pty Ltd (DEA).
 - b) DEA is a leading Australian distributor and brand owner across consumer electronics, automotive, and lifestyle categories, with a strong track record in omni-channel distribution and brand development.
 - c) DEA is a significant shareholder of the Companies and has a Commercial Services Agreement. It is also the current lessor of the warehouse premises at the Companies' Clayton facility.
 - d) The pooled DOCA fund will comprise of \$2 million to be settled in a creditors' trust and then distributed to Administrators' fees and expenses, Deed Administrators' fees and expenses, Creditors' trust trustee fees and expenses, 16 of any 17 employees will be offered continuing employment with any non-continuing employees paid their entitlements in full and unsecured creditors will be paid a distribution of up to 8 cents in the dollar.
 - e) In addition to the above, the senior secured lender, with a total debt of \$14.377 million has agreed to a debt-equity swap and will be an excluded creditor for the purposes of the pooled DOCA fund.
 - f) The DOCA has the support of the senior secured lender as well as with other significant creditors such as TRU Kids.
 - g) The DOCA pools the assets and liabilities of the Companies. The effect of this is that the Companies have entered into a cross guarantee and have therefore provided a guarantee to each other's obligations.
 - h) The Administrators have noted that there is a strategy beyond the pooled DOCA proposal to enable the ongoing viability of the business including significant further funding of \$3 million of additional equity.
- 2.2.2 The DOCA will complete on satisfaction of the conditions as set out in the Deed and upon the transfer of the Deed Fund to the Creditors' Trust.



3 Purpose and Scope of the Report

3.1 Section 444GA of the Corporations Act

- 3.1.1 The Deed Administrators appointed Pitcher Partners to prepare an IER in relation to the liquidation value of the equity of Toy R Us. This report will be used, as outlined in our letter of engagement (refer to Appendix 1), for the following:
- a) For the purpose of assisting the Court in determining the Deed Administrators' proposed application pursuant to section 444GA(1) of the Corporations Act in order to assist the Court in determining whether the Section 444GA Application will unfairly prejudice Toy R Us Shareholders.
 - b) For the purpose of the application to ASIC for technical relief from the takeover provisions of the Corporations Act.
 - c) To be provided in an Explanatory Statement to be sent to Shareholders of Toys R Us prior to the Court hearing of the Section 444GA Application so as to provide them with the liquidation value of Toy R Us 's equity.
- 3.1.2 The implementation of the pooled DOCA amongst other things, is conditional upon, ASIC granting relief from S606 (under S655A) and the Court approving the Section 444GA Application to transfer all Toy R Us Shares to an entity associated with the pooled DOCA. Pursuant to Section 444GA(3) of the Corporations Act, the Court will only approve such a transfer if it is satisfied that the proposed share transfer will not "unfairly prejudice the interests of members of the company". The proposed share transfer will not unfairly prejudice Shareholders if the Toy R Us Shares have no value given that under the pooled DOCA, there is no potential for the Toy R Us Shareholders to receive any distribution.
- 3.1.3 We are aware that this report will be tendered to the Court by the Deed Administrators as part of the evidence in support of their Section 444GA application. As a consequence, we have read the Harmonised Expert Witness Code of Conduct (Code) contained in the Federal Court of Australia's Expert Evidence Practice Note (GPN-EXPT) and agree to be bound by it. We have made all inquiries which we believe are appropriate and desirable (save for any matters identified explicitly in this report) and no significant matters which we believe to be relevant have, to our knowledge, been withheld from the Court.

3.2 Basis of Assessment

- 3.2.1 In the preparation of this IER, Pitcher Partners has had regard to relevant Regulatory Guides issued by the ASIC, including RG 111 Content of Expert Reports, RG 60 Schemes of Arrangement, RG 6 Takeovers: Exception to the General Prohibition, and RG 112 Independence of Experts. The IER will also include other information and disclosures as required by ASIC.
- 3.2.2 RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG 111 notes, however, the ability of administrators to transfer shares under the terms of a DOCA would breach the general prohibition on the acquisition of shares that results in a holding of 20% or more of the voting shares of a company. RG 111 states that for the requirements of Section 444GA, the expert's report should provide an independent opinion of the value, if any, of shareholders' residual equity. The expert is not required to form a view on the 'fairness' or 'reasonableness' of the transaction. RG 111 also requires that in expert's reports for Section 444GA, the shareholders' residual equity should be derived by assessing the value of the company's assets and/or business operations, less borrowings, other liabilities and creditors' claims. Further, it states that the value of shareholders' residual equity should be assessed on the basis that the company is in administration.
- 3.2.3 RG 6 requires that because there is no statutory exception for the acquisition of shares of 20% or more, the administrators need to seek relief from Section 606 from ASIC. ASIC may grant case by case relief from the requirements of Section 606 to administrators where 1) an IER concludes that the shareholders have no residual equity in the company;



2) the shareholders are provided with an explanatory statement setting out certain matters including the IER; and 3) and the Court grants leave under Section 444GA.

3.2.4 In accordance with RG111RG 111 relating to expert's reports for Section 444GA, our assessment of the residual equity for shareholders will be:

- a) derived by assessing the value of the company's assets and/or business operations, less borrowings, other liabilities and creditors' claims.
- b) assessed on the basis that the company is in administration.

3.3 Independence

3.3.1 Prior to accepting this engagement, Pitcher Partners considered its independence with respect to the deeds of company arrangement proposed to the Administrators with reference to RG 112 issued by ASIC.

3.3.2 Pitcher Partners has no involvement with, or interest in, the outcome of the approval of the pooled DOCA other than that of an independent expert. Pitcher Partners is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

3.3.3 Except for these fees, Pitcher Partners will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the successful implementation of the pooled DOCA.

3.3.4 In our opinion, Pitcher Partners is independent of Toys R Us and its Directors, the Deed Administrators and all other relevant parties of the deeds of company arrangement proposed to the Deed Administrators.

3.4 Compliance with APES 225

3.4.1 This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services (APES 225) as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined in the standard (Appendix 2).



4 Industry Overview

4.1 Toy and Gaming Retailing in Australia

4.1.1 The Australian toy and game retailing industry has experienced significant shifts in recent years. Sales surged at the height of the pandemic, with parents searching for ways to provide indoor entertainments to children. Since then, the industry has been impacted by high inflation, climbing interest rates and cost-of-living crisis which has collectively dampened consumer confidence, weakening demand and sales for toys and gaming products.

4.1.2 The current performance of the industry is driven by following macroeconomic and industry-specific factors as identified by IBIS World in their Toy and Gaming Retailing in Australia industry report, dated September 2024:

- a) Demand hinges on trends in income and consumer sentiment – cost-of-living pressure has caused customers to cut back on non-essential goods, leading to decline in toys sales post-pandemic.
- b) Competitive pressure remains intense – large retailers like discount department stores, including Big W, Kmart, and franchise retailers like Toyworld are using their bulk-buying power to offer consumer regular discounts on wide range of products. Online retailers are also disrupting the market, gaining market share through platforms like websites mobile applications.
- c) Volatile profit margins due to changing trading conditions – as a result of challenging economic environment, retailers were forced to cut margins, focus more on niche products in a bid to make sales.

4.1.3 The industry report also estimates FY2025-30 revenue to grow at a CAGR of 1.2%, on the basis that trading conditions will improve upon interest rate cuts, population increases and product innovations. It is noted however that mounting competition will continue to limit profit margins.

4.2 Online Toy Sales in Australia

4.2.1 Similarly, the online toy retail market has experienced sharp volatility as demand shifted in pre and post pandemic. While online toys sales are set to rebound, as economic conditions improve, product innovations and investments in digital platforms will be keys in driving growth in the online toys market.

4.2.2 The current performance of the industry is driven by following macroeconomic and industry-specific factors as identified by IBIS World in their Online Toy Sales in Australia industry report, dated July 2025:

- a) Product line innovations – consumer preference has shifted towards electronic and interactive toys. Traditional toys that incorporate STEM learning are expected to attract parents' focus on educational value.
- b) Greater investments in digital platforms – ongoing improves in website navigate availability of mobile applications have helped shape the shift in consumer buying habits from instore to online. Major retailers are continuing to invest and enhance their online capabilities.
- c) New entrants, increasing competition – in addition to retailers becoming omnichannel, many smaller players have joined the market, offering niche products supported by growing demand for educational, STEM and eco-friendly toys.

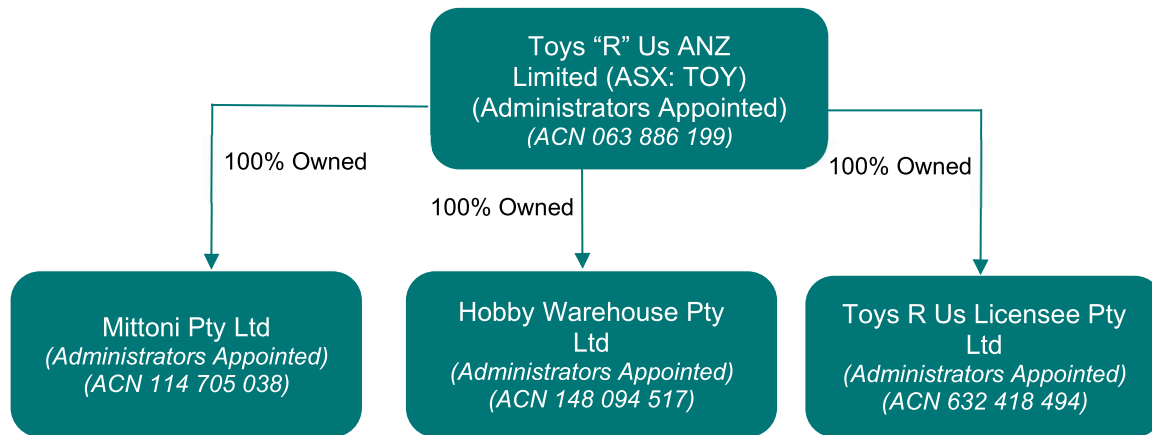
4.2.3 Similarly, improving economic conditions is expected to motivate discretionary spending, however competition is set to remain intense due to the number of participants in the market. The report estimates FY2026-31 revenue to grow at a CAGR of 3.5%.



5 Profile of Toys R Us

5.1 Overview

5.1.1 Below is a summary of the Group structure:



5.1.2 Toys “R” Us ANZ – incorporated in 1993 and was first listed on the ASX in 2020 following the acquisition by Funtastic Ltd (later rebranded to Toys R Us).

5.1.3 Mettoni – incorporated in June 2005 and operated as a wholesale distributor of computer-related product. Upon a strategic review in FY24, the business was deemed non-core by Management and these operations have since ceased. Mettoni has been treated as discontinued operations for reporting purposes.

5.1.4 Hobby Warehouse – incorporated in January 2011 and operates as a retailer of hobby and consumer products. Products include model kits, electronics and crafts, radio-controlled toys and other collectables.

5.1.5 Toys R Us Licensee – incorporated in May 2019 and holds the current License Agreement with TRU Kids for the exclusive use of brand Toys “R” Us and Babies “R” Us in Australia and New Zealand. The current agreement was entered into on 1 January 2024. Further details of the License Agreement are detailed in section 7.4.

5.2 Key History of Companies

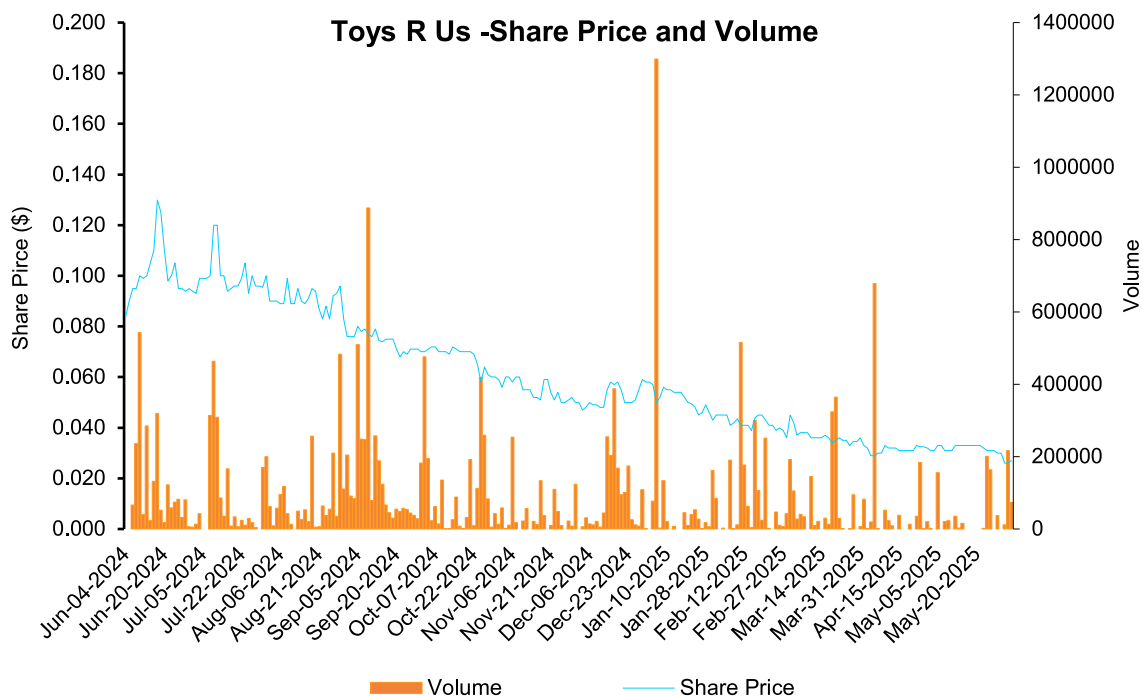
5.2.1 The key history of the companies is as follows:

- Toys R Us is a global retailer of toy, clothing and baby product, originally founded in America in 1948.
- The Toys R Us brand first entered Australia in 1993, operating 44 stores and an e-commerce platform, hiring more than 700 full-time staff and up to 2,000 casual workers prior to Administration in 2018.
- In September 2017, the US parent company filed for Chapter 11 bankruptcy, and subsequently filed for Chapter 8 liquidation in March 2018.
- Toys R Us Australia was placed into Administration and Liquidation in May and September 2018 respectively.
- The Toys R Us brand/trademark was transferred to TRU kids, as part of the bankruptcy plan in the US.
- In 2019, Hobby entered into an exclusive licensing agreement with TRU kids to operate in Australia and New Zealand under the Toys R Us brand names.
- In 2020, Funtastic Ltd acquired Hobby and Mittoni, which included the Toys R Us brands. Funtastic Ltd was rebranded as Toys R Us ANZ Limited in 2021.
- On 1 January 2024, a new License Agreement was entered into between Toys R Us Licensee and TRU Kids Inc, for the exclusive use of brand Toys “R” Us and Babies “R” Us in Australia and New Zealand.



5.3 Share Trading Performance

5.3.1 The share trading performance of Toys R Us in the last 12 months to 4 June 2025 is detailed below.



5.3.2 We note the following in respect of the above:

- The share price has been in a steady decline in the last 12 months.
- The Toys R Us stock is very thinly traded with only 8.97 million trades in the last 6 months leading up to the voluntary administration. This represents approximately 0.05% of daily trade as a percentage of the market cap.
- The stock is tightly held with only 32% available for public and other non-related investors.

5.4 Critical Events Leading to the Administration

5.4.1 The critical events leading to the Administration were as follows:

- July 2022 – the business secured a \$15m loan facility in the lead up to UK expansion while recording an EBITDA loss of \$9.1m for FY22.
- October 2022 – officially launched UK operation.
- January 2023 – commenced a strategic review into cost reduction.
- June 2023 – recorded an EBITDA loss of \$9.5m for FY23, followed by consideration to exit the UK market.
- Throughout 2023 – the business has conducted a series of fundraising activities, which include securing funding from C/M Capital Partners, a private placement, however an Entitlement Offer seeking for a minimum of \$5m in subscriptions has failed.
- January 2024 – exited UK market, recorded an impairment loss of \$13.3m.
- January 2024 – executing a transformation plan, with the focus on selling higher margin product, reducing overhead costs and renegotiating licences and leases.
- March 2024 – acquired RIOT Art & Craft for a total consideration of \$1.12m.
- March 2024 – secured funding for up to 5m from C/M Capital Partners.



- j) June 2024 – recorded an EBITDA loss of \$6.1m for FY24.
- k) February 2025 – CEO Penny Cox resigned, Humphreys and Ms Smith were appointed interim Executive Directors.
- l) June 2025 – secured creditor suspends funding, BDO was appointed as Administrators on 4 June 2025. The shares have since been suspended from trading on the ASX.

5.5 Financial and Operational Challenges

5.5.1 Per the Report on Company Activity and Property (ROCAP) lodged by the Company with ASIC, the Directors have identified several key factors behind the Companies' failure:

- a) Clayton lease exit – 8 months delay in completion of lease surrender, which resulted in c.\$0.8m in rent expense and belated release of \$2.7m bank guarantee that were intended for stock purchase.
- b) UK expansion – retreat of UK expansion, as the Company underestimated the capital investment required to support the expansion.
- c) Inability to secure funding – the company were unsuccessful in securing funding to support stock purchases, resulting in stock shortages.

5.5.2 The Administrators have shared additional observations:

- a) High operating costs – while the business executed a series of cost initiatives, fixed and operating costs remained high.
- b) Decline in inventory levels – due to lack of funding to support stock purchases, the Company were unable to fulfil customer orders.
- c) Market conditions - cost of living pressure and declines in discretionary spending have attributed to lower sales revenue.
- d) Insufficient working capital – unable to fund stock purchases from working capital.

5.6 Sale Process

5.6.1 In light of the trading losses and limited access to funding, the Administrators advertised the business and assets for sale on an urgent basis. A summary of the sale is provided below:

- a) Received 25 expressions of interest. This interest ranged from certain assets of the Companies such as stock and equipment to proposals relating to the entire business and assets.
- b) Established a Data Room and provided access for any of the interested parties requiring access to additional information regarding the business and assets.
- c) After the return of executed Confidentiality Deeds, 13 parties were provided access to Data Room.

5.6.2 Following a short period, parties were required to provide the Administrators with final offers.

5.6.3 Final offers were requested from the interested parties by 5pm on 23 June 2025.

5.6.4 BDO received two offers for the sale of the entire business and assets:

- a) The Deed Proponent – further detail in section 2 above.
- b) Mercer – submitted a non-conforming bid that was Non-Binding and Indicative which indicated a set cash amount. No detail or consideration was outlined as to how it would address a number of key requirements (such as TRU Kids' agreement) and required a further period of due diligence.

5.6.5 The offers were assessed and the Administrators ultimately determined that the offer submitted by the Deed Proponent was the preferred offer and in a form which was capable of being recommended to creditors.

5.6.6 Further enquires and offers for certain parts of the business continued during the period following due date for final offers. However, in the view of the Administrators, none of



these offers provided for a comparable return to the Companies' employees and creditors or were otherwise not capable of being accepted and put to creditors for their consideration.

5.7 Financial Performance

5.7.1 Summarised below is the consolidated historical profit and loss statement for the two years ended 31 July 2024, the profit and loss statement for the period 1 August 2024 to 31 January 2025 (YTD Jan).

Reported Financial Performance

(\$'000)	Actual 31-Jul-23	Actual 31-Jul-24	YTD 31-Jan-25
Revenue	21,642	7,668	3,053
Cost of Sales	(18,819)	(5,630)	(1,924)
Gross Profit	2,823	2,038	1,129
<i>Gross Margin %</i>	<i>13.0%</i>	<i>26.6%</i>	<i>37.0%</i>
Other income	343	469	1,989
Expenses:			
Administration	(2,458)	(2,432)	(1,370)
Employee	(4,748)	(3,430)	(1,235)
Marketing	(4,167)	(2,203)	(813)
Distribution	(1,304)	(522)	(273)
Total Expenses	(12,677)	(8,587)	(3,691)
EBITDA	(9,511)	(6,080)	(573)
<i>EBITDA Margin</i>	<i>-43.9%</i>	<i>-79.3%</i>	<i>-18.8%</i>
Depreciation	(2,914)	(3,036)	(1,274)
Impairment	(11,128)	-	-
EBIT	(23,553)	(9,116)	(1,847)
<i>EBIT Margin</i>	<i>-108.8%</i>	<i>-118.9%</i>	<i>-60.5%</i>
Interest Income	7	64	113
Interest Expenses	(2,561)	(2,766)	(1,739)
Net interest expense	(2,554)	(2,702)	(1,626)
NPBT	(26,107)	(11,818)	(3,473)
Income Tax Expense	316	317	159
NPAT (from continued operation)	(25,791)	(11,501)	(3,314)
NPAT from discontinued operation	(6,867)	(7,892)	2,602
Loss after tax for the year	(32,658)	(19,393)	(712)
Foreign currency translation	(234)	(400)	58
Total comprehensive losses	(32,892)	(19,793)	(654)

Source: Financial Statements

5.7.2 We note the following in respect of the above:

- Revenue relates to sales made directly to customers via various online platforms. Mittoni (B2B business) and UK operations were deemed discontinued operations by Management in FY24 and therefore are not included in above reported revenue.
- Revenue (from continued businesses) has experienced significant contraction over recent period, declining at a CAGR of 48% from FY23 to YTD Jan. Management attributed revenue decline to changes in strategic direction over the periods namely cutback of unprofitable sales and focus on higher margin customers and orders in FY24.
- Since the beginning of FY24, the Company focused on selling higher-margin products, cleared a significant amount of obsolete and aged inventory. This resulted in improvement in gross margin, from 13.0% in FY23 to 37.0% in YTD Jan period.
- Other income in FY23 and FY24 relates to rental income received from subleasing excess space. YTD Jan comprises of \$1.2m in lease derecognition and \$700k in FV adjustments on derivatives. None of this other income is recurring.
- In FY24, the Company commenced to cut its cost base, reducing and aligning overhead costs to current business operation. Total operating expenses reduced by



\$4.1m in FY24, primarily consisting of marketing, employment costs which represented \$2.0m, \$1.3m in cost saving respectively, compared to FY23.

f) Interest expenses are significant at almost \$3m annually.

5.7.3 Detailed below is the consolidated profit and loss statement for the period 1 August 2024 to 4 June 2025 as prepared by management and presented in the Report to Creditors.

Reported Financial Performance

(\$'000)	YTD ¹ 4-Jun-25
Revenue	4,120
Cost of Sales	(2,612)
Gross Profit	1,508
<i>Gross Margin %</i>	36.6%
Other income	4,599
Expenses:	
Administration	
Employee	(5,079)
Marketing	
Distribution	
Total Expenses	(5,079)
EBITDA	1,028
<i>EBITDA Margin</i>	25.0%
Depreciation	(2,032)
Impairment	-
EBIT	(1,004)
<i>EBIT Margin</i>	-24.4%
Interest Income	-
Interest Expenses	-
Net interest expense	(3,185)
NPBT	(4,189)
Income Tax Expense	-
NPAT (from continued operation)	(4,189)
NPAT from discontinued operation	-
Loss after tax for the year	(4,189)
Foreign currency translation	-
Total comprehensive losses	(4,189)

Source: Financial Statements

Note ¹: extracted from BDO 439A report

5.7.4 Other income incorporates \$2.6m in loan forgiveness as part of an agreement with TRUK Kids, Inc. (TRUK), in which TRUK received all UK business assets and released the Company from outstanding liabilities.

5.7.5 The above indicates that the losses have continued. We further note that the Administrators have continued to trade the business, and the net liability incurred during the Administration period to 2 July 2025 was \$285,913.



5.8 Financial Position

5.8.1 Summarised below is the consolidated balance sheet as at 31 July 2023, 31 July 2024 and 31 January 2025.

Summary of Financial Position

(\$'000)	Actual 31-Jul-23	Actual 31-Jul-24	Actual 31-Jan-25
Trade Receivables	837	-	10
Trade Creditors	(3,405)	(1,871)	(1,905)
Prepayments	208	905	708
Inventory	4,905	594	981
Employee benefit liability	(375)	(271)	-
Annual leave	(366)	(175)	(167)
Long service leave	(103)	(58)	(68)
Other liabilities	(57)	(807)	(828)
GST	(12)	8	-
Accrued expenses	(1,600)	(709)	-
Net Working Capital	32	(2,384)	(1,269)
Business Assets			
Property, plant & equipment	2,767	2,023	1,766
Right of use assets	11,167	8,186	4,232
Intangible assets	2,832	2,010	1,373
Goodwill	4,067	827	827
Bond deposits	2,935	2,756	-
Total Business Assets	23,768	15,802	8,198
Net Business Assets	23,800	13,418	6,929
Net debt / borrowings			
Cash	1,766	708	579
Borrowings	(12,610)	(15,228)	(15,125)
Provision	(280)	(222)	-
Assets held for sales	3,119	16	-
Liabilities held for sale	(1,565)	(3,128)	-
Deferred revenue	(114)	(66)	-
Derivatives	-	(505)	(274)
Lease liabilities	(11,860)	(9,292)	(4,286)
Contingent consideration	-	(462)	(462)
Deferred tax liabilities	(738)	(421)	(262)
Total net debt	(22,282)	(28,600)	(19,830)
Net Assets	1,518	(15,182)	(12,901)

Source: Financial Statements

5.8.2 We note the following key items in respect of the above:

- Cash has declined at each balance date.
- Inventory has substantially decreased, as a result of clearing aged inventory during FY24.
- Assets and liabilities held for sale are associated with the Mittoni business and UK operation which have been classified as discontinued operations.
- Plant and equipment comprises of racking, robot system, warehousing equipment, forklifts and office equipment.
- Right of use assets relate to the lease of office and warehouse space in Clayton, Victoria.
- Intangible assets comprise of licenses and trademarks, customer database and software, net of accumulated amortisation.
- Goodwill amount relates the acquisition of RIOT Art & Craft in FY24.
- Bond deposits for the premise at Clayton were released as the Company transferred the head-leases due to unutilised space.



- i) Borrowings have increased at each balance date and include \$13.4 million in respect of AMAL Security Services Pty Ltd, being the senior secured lender. This debt has a registered AIIPAAP of up to \$15 million.
- j) Derivative financial instrument relates to the convertible facility with Mercer Street Global Fund which provide funding up to \$4.2m.
- k) Contingent consideration relates to Management estimate of an earn-out consideration for the acquisition of RIOT Art & Craft, payable over FY25 and FY26. The maximum earn-out is \$1m.
- l) Other liabilities primarily consist of accrued royalties, accrued expenses and employee benefit liabilities.

5.8.3 Detailed below is a summary of the financial position of the Companies as at 4 June 2025:

Asset and liability position as at 4 June 2025

(\$'000)	TRU ANZ	Licensee	Hobby	Mittoni	Total
Cash	151	Nil	129	Nil	280
Accounts and other receivables	10	Nil	6	Nil	16
Inventory	Nil	Nil	1,034	Nil	1,034
Property, plant & equipment	186	Nil	445	Nil	631
Other assets	6,339	Nil	1	Nil	6,340
Total assets	6,686	Nil	1,615	Nil	8,301
Priority employee entitlements	(168)	Nil	(120)	(10)	(130)
Secured creditors	(13,902)	(13,902)	(13,902)	(13,902)	(13,902)
Unsecured creditors	(2,134)	(67)	(250)	(5)	(2,456)
Total liabilities	(16,204)	(13,969)	(14,272)	(13,917)	(16,488)
Estimated net position	(9,518)	(13,969)	(12,657)	(13,917)	(8,187)

Source: BDO 439A report

5.8.4 We note the following key items in respect of the above:

- a) Cash deposits with bank were immediately identified upon Administrator appointment, under the names of different entities as represented in above table.
- b) At as 4 June 2025, the Companies held stock with a cost value of \$1.034m, predominately held in Hobby Warehouse Pty Ltd. Inventory has been utilised in fulfilling sales during the Administration period.
- c) Property, plant and equipment comprises of specialised warehouse equipment, warehouse racking and various office furniture and equipment. The value represented in the table refers to book value.
- d) Other assets consist of computer software, right of use asset (Clayton lease) and Goodwill from RIOT Art & Craft.
- e) Priority employee entitlements include superannuation, annual leave and long service leave. We note that in the case of Liquidation, additional payments like redundancy costs would be payable.
- f) Secured creditors provided the Companies with senior term loan facilities and have cross guarantee over Companies' collective assets.
- g) The Administrators have identified 60 unsecured creditors of the Companies.



5.9 Cash Flow Statement

5.9.1 The below table presents the cash flow statement for the two years ended 31 July 2024 and YTD 31 January 2025.

Summary of cash flow

(\$'000)	Actual 31-Jul-23	Actual 31-Jul-24	YTD 31-Jan-25
Cash flows from operating activities			
Receipts from customers	40,542	20,283	3,352
Receipts from other income	347	-	-
Payments to suppliers and employees	(50,906)	(26,517)	(7,393)
Cash utilised in operations	(10,017)	(6,234)	(4,041)
Interest and other finance costs paid	(2,448)	(1,772)	(1,566)
Interest received	-	-	113
Other income received	-	469	3
Net cash used in operating activities	(12,465)	(7,537)	(5,491)
Cash flows from Investing activities			
Payment for acquisition of business	-	(300)	-
Payments for PPE	(1,014)	(5)	-
Payments for intangible assets	-	(292)	-
Interest and other investment income received	56	64	-
Proceeds from disposal of PPE	9	-	-
Proceeds from disposal of intangibles	(16)	-	-
Proceeds from refund of security deposits	828	179	2,756
Net cash used in investing activities	(137)	(354)	2,756
Cash flows from financing activities			
Proceeds from issue of shares	-	2,118	2,490
Proceeds from issue of convertible note	-	1,396	1,500
Proceeds from borrowings	2,610	4,256	300
Share issue transaction costs	-	(149)	(116)
Repayment of borrowings	-	-	(1,032)
Repayment of lease liabilities	(673)	(795)	(536)
Payments for buyback of unmarketable parcels	(107)	-	-
Net cash from financing activities	1,830	6,826	2,606
Net decrease in cash and cash equivalents	(10,772)	(1,065)	(129)
Beginning cash and cash equivalents	12,538	1,766	708
Effects on exchange rate changes	-	7	-
Closing cash and cash equivalents	1,766	708	579

Source: Financial statements

5.9.2 We note the following key items in respect of the above:

- The Companies have not been able to generate positive cash flow from operating activities. Receipts from customers have significantly declined, in line with revenue reduction presented in 5.7. Payments to suppliers and employees have been paired back however remained high, draining cash flow from the Companies.
- Interest and other finance costs remain high, as a result of various loan facilities.
- Proceeds from refund of security deposit relates to the Clayton lease as the Companies surrendered the headlease.
- Proceeds from issue of shares, convertible note and other borrowings represent the Companies' fundraising activities in subsidising their negative operational cash flow.
- As at 31 January 2025, the closing cash balance is \$579k, declining to \$c.280k as at the date of Administrators' appointment.



5.10 Share Capital Structure

5.10.1 As at 7 July 2025, Toys R Us' capital structure comprised the following securities:

Share capital structure as at 7 July 2025

Entities	Number of issued securities	Number of security holders
TOY - fully paid ordinary shares	151,262,157	1,032
TOYSR - service rights	1,686,364	3
TOYSARS - employee rights (expire 21/09/26)	8,000	6
TOYOPT04 - UNL OP @ \$1.99 (expire 01/11/25)	172,618	1
TOYSAR - share appreciation rights	1,454,546	1
TOYOPT05 - UNL OPT @ \$0.1162 (expire 31/05/2027)	5,593,804	1
TOYCON1 - convertible notes	3,306,500	1
TOYOPT06 - UNL OPT @ \$0.1128 (expire 27/08/2027)	3,479,610	1
TOYOPT07 - UNL OPT @ \$0.12 (expire 02/09/2027)	17,785,713	9
TOYOPT08 - UNL OPT @ \$0.08424 (expire 14/10/2027)	8,903,134	1
TOYSR2 - service rights (expire 13/12/2032)	1,810,860	2

Source: TOY register listing report

5.10.2 We note the following in respect of the above:

- The service rights and performance rights have a nil exercise price.
- The share appreciation rights carry the right to receive payment upon vesting in the form of shares or cash, equal to the difference between the fair market value of the shares on the exercise date and the price of such shares on grant date.
- The vesting conditions attached to the above service rights and share appreciation rights is continued employment. In a liquidation context, it is unlikely that these conditions will be met, and therefore these rights will not vest. We therefore consider the value of these to be nil.
- The options have varying exercise prices. In a liquidation context, the current value of the shares is likely to be zero as total creditor claims are unable to be paid in full, resulting in the options being 'out of the money'. The option holder would therefore have to pay a premium to exercise these. We therefore consider the value of these to be nil.
- The employee rights have an exercise price of \$0.18. Similarly to the above, in a liquidation context, these rights are also 'out of the money'. We therefore consider the value of these to be nil.
- We further note that in a liquidation context, there is no market to sell any of the rights or options.
- The convertible notes relate to those with Mercer Street Global Opportunity Fund II LP (Mercer) and are subject to a Default Event, a liquidation meeting the definition of this. In this context, the investor (Mercer) has the sole discretion to declare that all outstanding obligations are immediately due and payable, or terminate the agreement, in which case any amounts that are unpaid become immediately payable. Mercer have submitted an unsecured claim for \$4 million in respect of this and is incorporated in the unsecured creditor amount in section 7.2.2 (o) below.



6 Valuation Methodology

6.1 Introduction

6.1.1 We have assessed the value of Toys R Us' Shares adopting the definition of liquidation from the International Valuation Standards as follows:

a) *"The amount that would be realised when an asset or group of assets are sold on a piecemeal basis. Liquidation Value should take into account the costs of getting the assets into saleable condition as well as those of the disposal activity. Liquidation Value can be determined under two different premises of value:*

- i. An orderly transaction with typical marketing period, or*
- ii. A forced transaction with a shortened marketing period."*

6.1.2 In light of the process undertaken by the Administrators, in particular that the business and assets were advertised for sale on an urgent basis, and the assessments of forced liquidation values of the assets of the Company made from that process, we adopt the forced transaction with a shortened marketing period.

6.2 Valuation Methodologies

6.2.1 RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, Schemes of arrangement, takeovers and prospectuses. Detailed below is a list of the methodologies typically applied.

- a) capitalisation of future maintainable earnings (FME)
- b) discounted cash flow (DCF)
- c) net asset-based value (NAV)
- d) quoted security price (QSP); and
- e) Any recent genuine offers received by the Companies for any business units or assets as a bases of valuation of those business units or assets.

6.2.2 An overview of each of these methodologies is provided in Appendix 3.

6.2.3 RG 111 does not prescribe any above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

6.3 Selection of Approach & Methodology

6.3.1 In valuing Toys R Us, we have considered the following:

- a) The FME approach has not been adopted as Toys R Us currently operate at an EBITDA loss.
- b) The DCF approach has not been adopted due to the operational difficulties of Toys R Us, making it difficult to forecast future cash flows.
- c) Given the illiquid nature of the Toys R Us stock and that there is no longer an active market, we have not considered the QSP method.

6.3.2 Given the above, we have adopted the NAV method under a forced liquidation premise, which assumes that Toys R Us will cease to exist (given the Report to Creditors recommends a DOCA) and its assets will be liquidated to pay outstanding creditor balances and other liabilities (where funds are available).

6.3.3 In accordance with the requirements of RG 111, I have assessed the equity value under a liquidation premise of value in order to assist the Court in determining a transfer of shares value.



- 6.3.4 Typically, the NAV method is most appropriate for distressed businesses and those in liquidation.
- 6.3.5 The recoverable amount disclosed in the Report to Creditors of the net assets of Toys R Us is calculated to be negative, but it excludes the liquidation values for the inventory, plant and equipment and intangible assets.
- 6.3.6 Accordingly, in our valuation scenario, we have adopted the liquidation values for inventory and plant and equipment undertaken by external experts for the purposes of the administration and have also considered the value of the intangible assets separately, namely the License Agreement for use of the Toys R Us brands and trademarks. We have adopted the relief from royalty method in ascribing a value to this.
- 6.3.7 Details of our valuation is in section 7.



7 Valuation Assessment of Toys R Us Shares

7.1 Approach

7.1.1 In determining the value of Toys R Us, we have adopted the following process:

- Assessed the liquidation value of the Toys R Us Shares having regard to the assets and liabilities as at 10 July 2025.
- Analysed and adopted the Administrators' assessment of the claims by creditors, balance of cash and near cash assets and the likely recoverable value of other tangible assets as at 10 July 2025.
- We have adopted the liquidation valuation of plant and machinery and inventory as determined by external experts for the purposes of the administration.
- We have made our own assessment of the intangible assets.
- Made an assessment of the net realisable value of the Shares in Toys R Us in order to form our view of the amount, if any, attributable to the shares in Toys R Us upon transfer.

7.2 Administrators' Assessment of the Net Assets

7.2.1 We set out the Administrators' assessment of the shortfall of assets over creditors assuming a liquidation in the following table:

Estimated return to creditors per BDO 439A report

Description (\$'000)	Note	Liquidation
Asset Realisations		
Cash at Bank	1	241,519
Plant & Equipment and other assets	2	631,000
Stock	3	1,034,000
Intangible Assets		-
Total assets		1,906,519
Estimated Costs		
Administrators' Remuneration	4	(315,000)
Administrators' Disbursements	5	(10,000)
Administration Legal Fees	6	(75,000)
Liquidators' Remuneration	7	(150,000)
Liquidators' Disbursements	8	(10,000)
Total Costs		(560,000)
Trading losses	9	(555,013)
Additional costs		(555,013)
Estimated Funds Available for Creditors		791,506
Priority Employee Entitlements	10	(524,895)
Amount Available after Payment of Priority Employee		266,611
Senior Secured Lender	11	(14,377,000)
Westpac	12	(61,163)
Amount Available after Payment to Secured Creditors		(14,171,552)
Unsecured Creditors (DEA)	13	(1,618,444)
Unsecured Creditors (TRU Kids)	14	(35,305,184)
Other Unsecured Creditors	15	(5,647,519)
Total Unsecured Creditors	16	(42,571,147)
Estimated Return to Creditors/Equity Value	17	(56,742,699)

Source: BDO 439A report

7.2.2 I note the follow in respect of the above:

- Note 1 Cash at Bank – collective cash held by the Companies as at the date of Administrator's appointment.
- Note 2 Plant & equipment and other assets – book value of assets including warehouse and office equipment.



- c) Note 3 Stock – book value of inventory on hand.
- d) Note 4 Administrators' Remuneration – estimated remuneration to Administrators for the period to 10 July 2025 to the finalisation of Administration.
- e) Note 5 Administrators' Disbursements - relate to internal disbursement for the period 4 June 2025 to the finalisation of the Voluntary Administration process.
- f) Note 6 Administrators' Legal Fees - relate to legal advice obtained on a range of matters during the Voluntary Administration process.
- g) Note 7 Liquidators' Remuneration - estimated remuneration to Liquidators for the period 10 July 2015 to the finalisation of Liquidation.
- h) Note 8 Liquidators' Disbursements - relate to internal disbursement for the period 10 July 2025 to the finalisation of Liquidation.
- i) Note 9 Trading Losses – estimated trading loss for the period 4 June 2025 to 10 July 2025 when Liquidation process begins.
- j) Note 10 Priority Employee Entitlements – primarily consist of redundancy payments in the event Liquidation, as well as outstanding superannuation, annual leave and long service leave entitlements.
- k) Note 11 Senior Secured Lenders – senior secured facilities provided by lenders.
- l) Note 12 Westpac – relates to transactional facilities and credit cards provided by Westpac.
- m) Note 13 Unsecured Creditors (DEA) – facilities provided by DEA.
- n) Note 14 Unsecured Creditors (TRU Kids) – claim made by TRU Kids to the amount of US \$22.82m, in relation to future license agreement obligations. We note that this amount appears to assume renewal of the existing arrangement past the initial agreement period, with no consideration of discounting the cash flows in order to determine the present value of the obligations.
- o) Note 15 Other Unsecured Creditors – represent Administrators' estimate of the outstanding unsecured creditor claims.

7.2.3 We note that no adjustment has been made for the liquidation values for inventory and plant and equipment, and no value has been ascribed for the intangible assets. We note the following components of intellectual property exist as at the date of the Administration:

- a) Software.
- b) Goodwill associated with the RIOT acquisition.
- c) License Agreement in respect of the exclusive use of the Toys R Us brand in Australia and New Zealand between Toys R Us Licensee and TRU Kids.

7.2.4 We have adjusted for these items below.

7.3 Valuation Adjustments – Inventory and Plant and Equipment

7.3.1 The Administrators engaged Gordon Brothers Pty Ltd to undertake an external valuation of the stock based on the Gross Orderly Liquidation Value (GOLV) and Forced Liquidation Value (FLV). We have adopted FLV given the forced liquidation premise of valuation. The below table summarises stock value as at 20 June 2025:

Stock value as at 20 June 2025			
(\$'000)	Cost	GOLV	FLV
Stock	942,525	308,009	141,061
Source: Gordon Brothers inventory valuation - 1 July 2025			

7.3.2 The Administrators engaged Manheim Pty Ltd to undertake an external valuation of the plant and equipment on the same basis as 7.3.1 above. The below table summarises different assessed values as at 1 July 2025:



Plant and Equipment value as at 20 June 2025			
(\$'000)	Cost	Fair value	FLV
Plant and Equipment	188,000	635,660	190,395
Source: Manheim PPE valuation - 1 July 2025			

7.4 Valuation Adjustments – Intangible Assets

7.4.1 As detailed above, the intangible assets at the date of the Administration comprises:

- a) Software.
- b) Goodwill associated with the RIOT acquisition.
- c) License Agreement in respect of the exclusive use of the Toys R Us brand in Australia and New Zealand between Toys R Us Licensee and TRU Kids.

7.4.2 In respect of the software, we understand that these pertain to in-house modifications made over the years which have been capitalised. Our understanding is that these are minor, with many of these modifications able to be built into existing off the shelf software applications.

7.4.3 Given the above, we consider the liquidation value of this software to be a low value of nil and a high of its current book value of \$467,000.

7.4.4 In respect of the goodwill, this relates to the purchase of the RIOT business in 2024. Given the loss-making performance of the Companies, we do not consider there to be any value on an earnings basis, and therefore no value ascribed to any goodwill.

7.4.5 In respect of the License Agreement, we have analysed the recent agreement dated 1 January 2024 and note the following key components:

- a) TRU Kids is the Licensor.
- b) Toys R Us Licensee is the Licensee.
- c) The Licensor grants to licensee the exclusive rights to operate branded stores, to operate branded e-com sites (solely for sale to end-consumers in Australia and New Zealand), and to use the marks for sale and promotion of products.
- d) The term of the License Agreement (not including any renewals) is to 2040.
- e) The Licensee shall pay royalties to the licensor and shall be no less than the guaranteed minimum royalties applicable in each contract year.
- f) The minimum royalty amounts are stipulated in Exhibit A of the License Agreement and are as follows:



Guaranteed minimum royalties

Contract Years	Guaranteed Minimum Royalties
Contract Year 1: 2024	410,000 USD
Contract Year 2: 2025	400,000 USD
Contract Year 3: 2026	400,000 USD
Contract Year 4: 2027	400,000 USD
Contract Year 5: 2028	Greater of 600,000 USD or 90% of actual Royalties arising from Net Sales in Contract Year 4
Contract Year 6: 2029	Greater of 600,000 USD or 90% of actual Royalties arising from Net Sales in Contract Year 5
Contract Year 7: 2030	Greater of 700,000 USD or 90% of actual Royalties arising from Net Sales in Contract Year 6
Contract Year 8: 2031	Greater of 800,000 USD or 90% of actual Royalties arising from Net Sales in Contract Year 7
Contract Year 9: 2032	Greater of 900,000 USD or 90% of actual Royalties arising from Net Sales in Contract Year 8
Contract Year 10: 2033	Greater of 1,000,000 USD or 90% of actual Royalties arising from Net Sales in Contract Year 9
Contract Year 11: 2034	Greater of 1,100,000 USD or 90% of actual Royalties arising from Net Sales in Contract Year 10
Contract Year 12: 2035	Greater of 1,200,000 USD or 90% of actual Royalties arising from Net Sales in Contract Year 11
Contract Year 13: 2036	Greater of 1,300,000 USD or 90% of actual Royalties arising from Net Sales in Contract Year 12
Contract Year 14: 2037	Greater of 1,400,000 USD or 90% of actual Royalties arising from Net Sales in Contract Year 13
Contract Year 15: 2038	Greater of 1,400,000 USD or 90% of actual Royalties arising from Net Sales in Contract Year 14
Contract Year 16: 2039	Greater of 1,400,000 USD or 90% of actual Royalties arising from Net Sales in Contract Year 15
Contract Year 17: 2040	Greater of 1,400,000 USD or 90% of actual Royalties arising from Net Sales in Contract Year 16

Source: 2024 License Agreement between TRU Kids, Inc. and Toys R Us Licensee Pty Ltd

- 7.4.6 In addition to the above, Clause 20 (E) of the License Agreement details that in a Bankruptcy event, no assignee, including a receiver, trustee or any other officer of the court may continue the agreement and use the trademarks. Further, the licensee agrees that the products cannot be sold or transferred without first offering the products to the Licensor at a price equal to the manufacturing cost.
- 7.4.7 Based on the above, there is a basis to suggest that the value of the License Agreement in a liquidation scenario would be nil.
- 7.4.8 We note however, there is ambiguity in the above clause and we are not legal experts or advisors. Accordingly, we consider it appropriate to adopt a range of values for the License Agreement, being nil in the low scenario and as per the methodology below on a high scenario.
- 7.4.9 In determining the value of the License Agreement, we had regard to these agreed royalty payments in each year, which are a third party arrangement, and the present value of these payments.
- 7.4.10 The above is undertaking the value of the License Agreement having regard to the relief from royalty approach.
- 7.4.11 Under this approach, the market value of a given intellectual property is equivalent to the royalty cost saved by the holder of the intangible asset as a result of being the owner, rather than having to license its use from a third party. The value of the costs saved are calculated with reference to the revenue generated by the relevant intellectual property discounted to the valuation date.
- 7.4.12 In assessing the value of the License Agreement under the relief from royalty approach, we have relied on the following assumptions:
- Discrete period – we have considered the forecast cash flows to 2040, being the end of the current term in accordance with the License Agreement. We have not



considered any renewals past this point. We note that due to the discounting nature, the net present value of the cashflows beyond 2040 would largely cause immaterial differences to the concluded value.

- b) Royalty amounts – we have adopted the minimum royalty amounts stipulated in the License Agreement. In the first 4 years the amount is fixed. Thereafter there is a threshold which is the greater of a set amount or 90% of actual royalties arising from the net sales in each year. We do not have forecast sales data and given the current state of the business it is unlikely that the net sales targets would exceed the minimum. Further any incorporation of growth assumptions would result in an increase in the discount rate given the risk associated with this growth being achieved. Therefore, the net impact is likely to be immaterial. Based on this we have adopted the minimum royalty amounts in each year. These royalty payments are based on the following rates:
- i. Years 1 to 3 – 4.50% of sales
 - ii. Years 4 to 5 – 4.75% of sales
 - iii. Years 6 onwards – 5.00% of sales
- c) Notwithstanding that the above is a third-party arrangement, we have also undertaken external research into the appropriateness of the royalty rate. Our research in respect benchmarking royalty rates from Markables for similar businesses is as follows:

Licensee	Description	Average	Low	High
Best Brands Group SA and Baby Universe SAS (Infanti)	multibrand infant products retailer	1.2%	0.9%	1.4%
Silfa Group (Infanti)	multibrand infant products retailer	2.5%	2.0%	3.0%
buybuy BABY, Inc.	retailer; specialty retailer of infant products;	1.8%	1.4%	2.1%
The Gymboree Corp.	retail; kidswear; vertical;	5.9%	4.8%	7.0%
Chelsea Stores Holdings Limited ("Early Learning Centre")	retail; vertical retailer; kids stuff; toys;	1.7%	1.5%	1.9%
Carter's®	apparel; children's apparel; kidswear; licensing	8.8%	8.8%	8.8%
Corgi International Limited	toys; die-cast vehicles, trucks and planes; die-cast replicas;	2.4%	2.2%	2.6%
bol.com B.V.	internet; e-commerce; online non-food retailer;	2.1%	1.7%	2.4%
Lekmer AB	internet; e-commerce; online retailer for toys;	5.6%	4.5%	6.6%
zulily, inc.	online retailer; online merchandise store selling apparel, children's merchandise, kitchen accessories and home décor.	6.6%	5.3%	7.9%
Geeknet, Inc.	e-commerce; online retailer of collectibles, apparel, gadgets, electronics and toys for technology enthusiasts	0.6%	0.5%	0.7%
Hamleys Global Holdings Limited	retail; retailer of toys, games, gift and gadgets	8.3%	6.8%	9.9%
Souq Group Ltd.	e-commerce; online retailer and marketplace platform for consumer electronics, fashion, and household goods	3.9%	3.7%	4.2%
Home Retail Group plc	home and general merchandise retailers; electrical equipment, furniture, housewares, jewellery, toys, sports and leisure equipment	0.7%	0.6%	0.7%
Sassybaby	toy, feeding and baby care products	0.8%	0.7%	0.9%
Vintage Stock Inc.	retailer of entertainment products, including movies, music, video games for multiple consoles, books, trading and game cards and collectables.	0.5%	0.4%	0.5%
Mighty Ape Limited	online retailer for games, toys, homewares, collectibles and consumer electronics	2.9%	2.3%	3.4%
Lekekassen Holding AS	e-commerce; online toy retailer	2.4%	2.0%	2.9%
Average		3.2%	2.8%	3.7%
Median		2.4%	2.0%	2.8%

Source: Markables

- d) Based on the above, we consider the royalty rates in the License Agreement to be not unreasonable.



e) Discount rate – given we have adopted the minimum royalty amounts which are set as per the License Agreement, we have adopted a post-tax discount rate equal to the market risk premium, being 5% to 7%. This reflects the return an investor expects to receive from investing in a market portfolio compared to a risk-free investment.

f) Tax – we have assumed an Australian company tax rate of 25% (base rate).

7.4.13 Based on the above, we have assessed the value of the License Agreement to be in the order of \$nil to \$10.1 million (midpoint value) (Australian dollars). Detailed calculations are in Appendix 4.

7.5 Independent Experts Assessment of the Net Assets

7.5.1 Based on the above valuation adjustments and the Administrators' assessment of other assets and liabilities, our assessment of the net assets is as follows:

NAV of Companies' equity as at 10 July 2025 - Forced Liquidation Basis

(\$'000)	Low	High
Assets		
Cash	241,519	241,519
Inventory	141,061	141,061
Property, plant & equipment	190,395	190,395
Goodwill	-	-
Software	-	467,000
License Agreement - Brands/Trademarks	-	10,116,144
Total estimated recoveries	572,975	11,156,119
Estimated trading cost		
Trading loss	(555,013)	(555,013)
Estimated remuneration costs		
Administrators' remuneration	(315,000)	(315,000)
Administrators' disbursements	(10,000)	(10,000)
Administrators' legal fees	(75,000)	(75,000)
Liquidators' remuneration	(150,000)	(150,000)
Liquidators' disbursements	(10,000)	(10,000)
Total estimated remuneration	(560,000)	(560,000)
Total estimated cost	(1,115,013)	(1,115,013)
Funds available for creditors	(542,038)	10,041,106
Employee entitlement	(524,895)	(524,895)
Funds available after priority employee creditors	(1,066,933)	9,516,211
Senior secured lender	(14,377,000)	(14,377,000)
Westpac	(61,163)	(61,163)
Funds available after secured creditors	(15,505,096)	(4,921,952)
Unsecured creditor - DEA	(1,618,444)	(1,618,444)
Unsecured creditor - TRU kids	(35,305,184)	(35,305,184)
Other unsecured creditors	(5,647,519)	(5,647,519)
Funds available for shareholders	(58,076,243)	(47,493,099)

Source: BDO 439A report, Pitcher Partners

7.5.2 Given the above, we have assessed the forced liquidation value of the issued shares in Toys R Us as at 4 June 2025 to be Nil. In our opinion, the recoverable amount from realising the assets of the Companies is insufficient to fund the full amount of the obligations of the Companies and hence there is no residual value for equity holders.



Appendix 1 Letter of Engagement

PITCHER PARTNERS

Pitcher Partners Corporate Pty Ltd
ABN 28 062 323 848
AFS Licence No. 229641
Level 13, 444 Collins Street
Docklands, VIC 3008
Postal address
GPO Box 5193
Melbourne, VIC 3001
+61 3 8610 5000
pitcher.com.au

Ref: LM

2 July 2025

The Administrators of Toys "R" Us ANZ Limited
(Administrators Appointed) (Toys R Us or the Company).
You have requested Pitcher Partners Corporate Pty Ltd (Pitcher Partners Corporate) prepare an independent expert report (IER) to assist your Court application to transfer all the shares in the Company, to another party, in accordance with Section 444GA of the Corporations Act 2001 (Corporations Act).

Purpose of Report
The IER is required for the following:

- to assist the Court in determining the Administrators' proposed application pursuant to section 444GA(1) of the Corporations Act;
- for the application to Australian Securities and Investments Commission (ASIC) for technical relief from the takeover provisions of the Corporations Act. Based on ASIC's Regulatory Guide 111 Contents of expert reports (RG111), for relief the valuation needs to be prepared on a liquidation basis where that is the likely or necessary consequence of the transfer of shares not being approved;
- to be provided in an Explanatory Statement to be sent to shareholders of the Company prior to the Court hearing of the section 444GA application so as to provide them with the residual value of Company's equity.

The report will not be quoted or referred to or utilised for any other purpose unless written consent has been provided by Pitcher Partners Corporate.

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PITCHER PARTNERS

Our Approach
In undertaking this assignment, we will have regard to RG111 and ASIC Regulatory Guide 112 Independence of experts (RG112).
In particular we will:

- review the financial position and past and projected operating results of Toys R Us;
- conduct interviews with management and the Administrators (where relevant) to enhance our understanding of the operations and administration;
- review published market data and other public information available to us relating to the Company and industry;
- obtain and analyse the Administrators' assessment of the claims by creditors, balance of cash and near cash assets, and the likely recoverable value of any intangible assets;
- assess the value of the shares on a liquidation basis in accordance with RG111;
- prepare a preliminary draft report for confirmation of factual accuracy; and
- prepare and deliver our final report.

Should the preparation of the independent expert report require the use of a specialist, in accordance with RG112, we would select and engage an independent specialist competent in the field and recover those fees from you. We will advise you of such a requirement and the proposed fee prior to the appointment of the specialist.

Our procedures and enquires will not include verification work nor constitute an audit or a review in accordance with generally accepted auditing standards or statements on standards for accounting and review services, respectively.

Information
In completing this engagement, we will necessarily rely on information and material supplied by you. Initial information we require is detailed in Appendix A. In accordance with RG112, we will require the same access to the company's records as your auditors would have and we have the right to refuse to provide an opinion or report at all, if not provided with the information and explanations required to prepare the report.
Our report will be issued on the understanding that the Administrators draw our attention to all matters of which it is aware which may have an impact on our report up to the date of signature.
We reserve the right to revise our opinion in light of any information existing at the report date which becomes known to us after the date of the report. We have no responsibility to update the report for events and circumstances occurring after the date of the report.
We will not be responsible for any error in our report caused by, or arising out of, or in any way connected with any omission of information or any misrepresentation, misleading or deceptive information or materials supplied to us.

Confirmation of Factual Accuracy
As part of our normal procedures, before we render our opinion, we will require that you confirm material representations made to us and that the facts are accurately stated in all material respects.

Reporting
We anticipate providing you with a draft report for confirmation of factual accuracy within three weeks of receiving the information requirements. A final report will be provided shortly after receiving the confirmation of facts. We will discuss with you any difficulties we encounter with meeting the timetable, should problems arise.

Estimated Fees and Expenses
Based on the information received to date, we estimate that the total fees for performing the services will be in the range of \$40,000 to \$50,000 (excl GST). GST will be added to our fees

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PITCHER PARTNERS

in accordance with our standard terms and conditions, with disbursements charged at cost when incurred.

It is understood in appointing us to proceed with this engagement that neither the amount of our fee nor payment thereof is contingent upon the proposed transaction proceeding.

Fee accounts are payable prior to the release of our final report.

Confidentiality and Privacy
Pitcher Partners will preserve the confidential nature of information received from you in accordance with the firm's established policies and practices. Pitcher Partners is committed to ensuring the confidentiality and security of your personal information in accordance with the Australian Privacy Principles. Our Privacy Policy is available on our website but may also be made available to you on request.

Outsourced Services
Throughout the engagement, Pitcher Partners may utilise the services of Acuity Knowledge Partners (UK) Limited (AKP). In providing our services to you, Pitcher Partners may outsource selected services to AKP, including but not limited to research of comparable companies and transactions, data entry, reconciliations and modelling, analytical review of data, report writing and quality assurance reviews. Services outsourced to AKP will be performed in India. The benefits to you of outsourcing these services include efficient processes that allow us to respond more quickly to your needs, and an increase in resources with relevant experiences and tools to optimise our service delivery throughout the engagement.

Occupational Health and Safety Issues
From time to time during the course of the engagement, Pitcher Partners Corporate staff will carry out procedures at the Company's sites. When Pitcher Partners Corporate staff are working at the Company's premises, it is expected that you will arrange for them to be provided with a safe working environment.

Standard Terms and Conditions of Engagement
The standard terms and conditions of engagement for this assignment are set out in the attachment to this document.

Confirmation of Terms of Engagement
You can confirm acceptance of the proposed scope on the terms set out in this engagement letter and accompanying Standard Terms and Conditions in one of the following ways:

- signing and returning the Acceptance of our Terms of Engagement;
- providing us with information for the purposes of undertaking this engagement after receiving this letter; or
- emailing us your acceptance.

Yours sincerely

L MALCOLM
Executive Director

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APPENDIX A – INITIAL INFORMATION REQUIREMENTS

Our initial information requirements are as follows:

- Copy of the Administrators' assessment of the claims by creditors, balance of cash and near cash assets, and the likely recoverable value of other intangible assets.
- Copies of Administrators' reports to Creditors.
- Details of potential share purchase offer.
- Copy of the fair value report of the embedded derivatives.

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TERMS OF ENGAGEMENT

1 AGREEMENT

1.1 This document ("Terms") and our Engagement Letter set out the terms of business that apply to all work which any of Pitcher Partners Advisors Proprietary Limited ACN 052 920 206 and its related and associated persons, including any partner, director, employee or agent of Pitcher Partners Advisors Proprietary Limited and its related or associated entities ("Pitcher Partners"; "us"; "we") undertakes for you in relation to this engagement ("Services"). For the avoidance of doubt, your engagement is with the Pitcher Partners entity nominated in our Engagement Letter and no other Pitcher Partners entity or person assumes any liability to you in relation to the Services.

1.2 Unless otherwise stated in these Terms our Terms and our Engagement Letter (together "Agreement") form the entire agreement between us relating to the Services. If these Terms conflict with our Engagement Letter, then these Terms prevail to the extent of the inconsistency.

1.3 Your continued instructions to us after receipt of our Terms will be deemed to constitute acceptance of this Agreement regardless of whether a signed Engagement Letter is returned to us.

1.4 Either party may request changes to the Services to be provided under this Agreement, and such request for changes must be in writing.

1.5 Our Terms apply for all services for which we may in the future be engaged by you or on your behalf unless otherwise agreed in writing or required by law.

1.6 Any variation to this Agreement must be made in writing.

2 OUR SERVICES

2.1 Where we are engaged to provide Services to more than one person or entity, we may communicate

and receive instructions from any one person, entity, or the representative of an entity, and such communications and instructions will be relied on as the views of all persons and entities. However, at any time we may communicate or insist upon instructions from more than one person or entity listed in our Engagement Letter.

2.2 We will not provide you with investment or financial advice regulated under the Corporations Act 2001 (Cth) unless we have expressly agreed to do so in writing and we have specified an applicable Australian Financial Services Licence number.

2.3 To the extent our Services includes any advice in relation to taxes that are administered by a state or territory of Australia constitutes legal advice, this advice will be obtained, on your behalf, from Pitcher Partners Legal Pty Ltd. All other such advice is a tax agent service given in the ordinary course of and as a reasonably necessary part of our activities as a registered tax agent and does not constitute unauthorised legal advice or financial product advice.

3 YOUR RESPONSIBILITIES

3.1 You will promptly provide us with information we may reasonably require for the proper performance of the Services, including access to appropriate members of your staff and premises.

3.2 We are entitled to rely upon the accuracy and completeness of all information provided to us by you or on your behalf. You will immediately inform us if you discover that any information that has been provided is inaccurate or incomplete, or should not be relied on.

3.3 If our personnel are working at your premises, you must provide them with reasonable access to your electronic equipment to perform the Services, information about emergency procedures and risks

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to health and safety, and a safe working environment that complies with all occupational health and safety laws.

3.4 Where you have given us access to your information systems (including bookkeeping systems or electronic devices), you remain responsible for the security and maintenance of those systems. We will not be responsible for any security breach caused by your actions or inactions, including fraud, which affects your information systems due to any unauthorised access, virus or malicious software.

3.5 We will not be treated as having notice of information which has been provided to or is otherwise known to our personnel not involved in providing the Services.

3.6 You are responsible for any commercial decisions you make based on our advice.

4 OUR REPORTS AND ADVICE TO YOU

4.1 Our advice is limited to the particular issue(s) or scope of work to which the Services directly relate.

4.2 We do not accept liability for, and no reliance should be placed by you or any other person on, our verbal advice, where we are instructed that all advice is to be communicated in writing or where we state such verbal advice should not be relied on, or draft written advice or reports.

4.3 Any advice or report by us is provided solely for your use and benefit and only in connection with the purpose for which the Services are provided, and must not be relied upon by any other person (including, without limitation, your directors, shareholders or other stakeholders).

4.4 Unless required by law, you will not provide any of our work product, advice or reports (including any copy or extract from such advice or reports) to any third party, without our prior written consent.

4.5 We are under no obligation to update any advice or report for changes in law or other events occurring after the advice or report is given in final form.

5 FEES AND EXPENSES

5.1 Our fees will be calculated and charged on the basis set out in our Engagement Letter.

5.2 You must pay our fees and expenses within 30 days of receipt of invoice. Failure to do so may result in us:

(a) charging interest at 8% per annum on the outstanding fees; and/or

(b) choosing not to do any further work for you until all sums, including interest, are paid in full.

5.3 Our professional fees and disbursements are exclusive of GST, unless otherwise stated. Our tax invoice will include details of GST charged, at the applicable rate, and payable by you.

5.4 You indemnify us for our actual professional costs and expenses incurred in relation to any notice, demand or subpoena issued by any third party (including ASIC, ATO, ASX, any statutory body, any court or tribunal) on us in connection with the Services.

5.5 If this engagement relates to work to be undertaken for two or more clients (whether together or individually), each client is jointly and severally liable to pay our fees and disbursements, regardless of whether we, at your request or for any other reason, direct our accounts or statements to only one of the clients or to a third party, or obtain instructions in relation to this engagement from only one of the clients or from a third party.

5.6 You or we, on your behalf, may engage third parties to assist in providing the Services under this Agreement, in which case you agree that (other

than for our third party contractors and suppliers which are dealt with under clause 8):

(a) you are solely responsible for the work and fees of any other party engaged by you or by us on your behalf to participate in this engagement regardless of whether such party was introduced to you by us;

(b) in cases where we engage the third party, we do so strictly as your agent, and you take full responsibility and liability for all applicable third party costs and fees;

(c) we are not responsible for the quality, content or effect of advice given by any third party, and you release us from all liability arising from that advice unless otherwise agreed in writing; and

(d) we are entitled to rely on advice obtained from the third party without further investigation or consideration.

5.7 If the Services are Financial Services provided by Pitcher Partners Investment Services ABN 24 052 941 036 within the meaning of the Corporations Act 2001 (Cth), the terms set out in the Financial Services Guide also form part of the Agreement. The terms set out in the Financial Services Guide relating to the Services will prevail to the extent of any inconsistency with these Terms.

5.8 You should not rely on any communication purporting to be from us which seeks to direct a payment to bank details which differ from those which we have already given you (in our Engagement Letter and on your bills) and we are not responsible for any loss you may suffer arising from such communications.

5.9 Unless we otherwise advise in writing, our fees and disbursements are to be paid to the following bank account:

BSB: 183 334
Acc: 303 937 569

6 OWNERSHIP OF DOCUMENTS

6.1 You retain ownership of all original documents you provide to us, and original documents produced by us as a result of this engagement, such as income tax returns and financial statements. We may store those documents on your behalf and make copies for our records.

6.2 Unless otherwise agreed in writing by us, all other documents (including all electronic documents) produced by us in respect of this engagement will remain our property.

6.3 All intellectual property rights in all Pitcher Partners materials and methodologies used in this engagement or incorporated into any report, advice or any other material created or provided to you remains our property.

7 CONFIDENTIALITY

7.1 Subject to our statutory and professional obligations, any compulsory processes and as otherwise set out in this Agreement, we will comply with our obligations to keep information regarding your matter confidential and to avoid conflicts of interest.

7.2 We are subject to review programs and processes conducted by various external bodies, including Chartered Accountants Australia and New Zealand. You agree that our files in relation to this engagement may be made available under any such program or process with your prior written consent, which will not be unreasonably withheld.

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8 SUBCONTRACTORS AND OFFSITE STORAGE

8.1 We use off-site external storage facilities including cloud storage.

8.2 We may utilise the services, software, systems, technology and products of third party service providers and cloud computing service providers, to perform or assist us to perform Services and in our client relationship management, in quality reviews and for other administrative support. The service providers and cloud computing service providers we utilise include:

- (a) Microsoft Azure and M365 cloud computing services located in either Melbourne or Sydney for email, file storage, intranet services, data storage and virtual server hosting;
- (b) Amazon Web Services cloud computing services hosted in Sydney for Caseware cloud hosting and the hosting of development services;
- (c) Ethan Global Pty Limited in Melbourne and Sydney for system administration, cloud orchestration, capacity planning and general system availability;
- (d) Equinix Asia Pacific Pte Ltd data centre located in Port Melbourne for hosting Pitcher Partners owned IT server hosting infrastructure;
- (e) BGL Corporate Solutions Pty Ltd's Simple Fund 360 for cloud-based self-managed superannuation fund administration and compliance;
- (f) Sundaram Business Services Limited in Chennai India to assist in limited circumstances with one or more administrative functions including processing of journals, file compilation,

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workpaper linking and the preparation of financial statements and/or tax returns. These functions are undertaken within our servers; and

(d) and other third parties from time to time and as separately notified to you.

8.3 We may provide these third parties with access to your data to the extent required to perform the services.

8.4 Your data will be stored in servers physically located in Australia (unless otherwise specified) and in accordance with the security practices of the third party service provider and our Privacy Policy.

8.5 For the purposes of clauses 8.1 to 8.4, you consent to your information (including personal information and confidential information) being disclosed and transferred to those contractors or suppliers, so long as they are bound by confidentiality obligations.

8.6 You consent to us using software, systems, technology and products supplied by third parties ("Third Party Products"), whether disclosed or not. This includes but is not limited to accounting software systems, file storage systems, registry services systems, information management systems, portfolio management systems, cloud systems, and on-line information access systems. To the maximum extent permitted by law, we do not give any warranty in relation to Third Party Products, including, but not limited to, any warranty as to features, performance, fitness for purpose or legal efficacy of using Third Party Products. To the maximum extent permitted by law, we will not be liable for, and you release us from any claim, complaint, notice, demand, action, proceeding, judgement, damage, loss, cost, expense, liability or obligation however arising in connection with the

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Third Party Products whether present, future or contingent which you may have against us.

9 PRIVACY, ELECTRONIC COMMUNICATIONS AND DATA

9.1 Pitcher Partners is committed to your privacy and is committed to complying with, and does not seek to avoid its obligations under, the Australian Privacy Principles contained in the Privacy Act 1988 (Cth) and all other relevant legislation.

9.2 A copy of our privacy policy is available at <http://www.pitcher.com.au/privacy>.

9.3 We may communicate with you, and/or each other at Pitcher Partners, and/or third parties in relation to the Services via electronic means. To the maximum extent permitted by law, Pitcher Partners does not accept liability for any loss or damage (whether direct, indirect, consequential or economic), including breach of confidentiality, privacy or security, that may result from any electronic communication (including any attachments) or storage of data. Our liability is limited to the cost of re-supplying the electronic communication or data. We do not accept any liability in respect of any error or omission or security breach arising from or in connection with such communications. You agree to accept the risks involved in those forms of communication, including the risk of viruses, defects, corruption, access by an unauthorised person, or the disclosure of the information contained in the communication.

9.4 You warrant and represent to us that you have appropriate back-up, security, licensing and virus checking procedures for any electronic devices you use in connection with this engagement or which you provide to us or our personnel.

9.5 Pitcher Partners uses commercially reasonable measures to protect the security of electronic and

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digital information held by Pitcher Partners, but does not warrant or accept responsibility for the secure operation of any electronic platform or portal maintained by or on behalf of or used by Pitcher Partners, or that any security technologies can prevent any misuse or unauthorised access by any third party or loss of any information stored electronically by Pitcher Partners.

9.6 We may aggregate information and data obtained from you for the purposes of benchmarking and statistical analysis. You agree that we may do so provided the information and data is de-identified and we do not disclose your personal or confidential information.

10 LIMITATION OF LIABILITY

10.1 Nothing in this Agreement excludes, restricts or modifies any non-excludable statutory condition, warranty, guarantee, right, remedy or other benefit that is preserved by the Competition and Consumer Act 2010 (Cth), including The Australian Consumer Law in Schedule 2 of the Competition and Consumer Act 2010 (Cth), or any other statutory provision.

10.2 If a scheme approved under professional standards legislation or the Professional Standards Act 2003 (Vic) or similar state or federal legislation (collectively "Act") applies to limit our liability, then the Act overrides any clause in these terms that provides for a limit of liability in excess of the amounts provided by the Act, but does not override any clause that provides for a limit of liability below the amounts provided by the Act.

10.3 To the maximum extent permitted by law, we exclude all warranties, conditions and/or terms, other than those expressly set out in this Agreement, including, but not limited to, all warranties, conditions and terms implied in fact or by law.

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10.4 If we are liable for any breach of warranty, condition or term, then our liability is limited, at our option, to either the resupply of the services or payment of the reasonable cost of having the services resupplied.

10.5 In all other instances, other than as set out in this Agreement, our total liability to you for any loss or damage (including indirect and/or consequential loss or damage) caused by, resulting from, or in relation to the Services, including, but not limited to, loss or damage arising from any:

- (a) breach of contract;
- (b) negligence;
- (c) tort;
- (d) equity;
- (e) statutory provision; or
- (f) save for fraudulent or criminal conduct, any other conduct by us,

(in each case, "Loss") and whether or not we were advised of the possibility of such Loss, is limited (to the extent permitted by law) to an amount equal to three times the fees paid by you in respect of the Services to which the claim relates.

10.6 If Pitcher Partners has more than one client under this engagement, you agree that our total liability to all clients under this engagement is limited in accordance with this clause 10, to be apportioned among the clients (including you).

10.7 To the maximum extent permitted by law and subject to clause 10.1, commencing on the earliest of three years from:

- (a) the date of completion of the Services;
- (b) the date of our final invoice for the provision of the Services; or
- (c) the date this Agreement is terminated,

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you release us from, and agree that you are estopped from commencing, any claim for any Loss in relation to:

- (a) the performance or non-performance of the Services; and
- (b) any act or omission in connection with the Services,

whether in contract, tort (including negligence), equity, pursuant to statute or otherwise.

11 INDEMNITIES

11.1 You agree to indemnify us and hold us harmless from and against any loss (including legal fees on an indemnity basis), expense, damage, liability or claim by any person (including any third party or regulator) arising out of or in relation to:

- (a) any breach of your obligations under this Agreement;
- (b) our reliance on any information you, your officers, employees, agents or subcontractors provide to us; or
- (c) any dishonest, unlawful or negligent act of you, your officers, employees, agents or subcontractors in connection with this Agreement.

11.2 Where we are engaged as company auditors under this engagement, this indemnity shall not apply to audit services provided under this engagement.

12 TERMINATION

12.1 Either party may terminate this Agreement by written notice if the other party fails to remedy a material breach of the Terms within 30 days of written notice of the breach.

12.2 Either party may terminate this Agreement by providing 60 days (or shorter period agreed by the other party) written notice to the other party.

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12.3 We may terminate this Agreement immediately by written notice if you breach a law in connection with this Agreement or the engagement or services provided, or if we determine that an act of you, your officers, employees, agents or subcontractors is likely to cause significant harm to us or our reputation.

12.4 If this Agreement is terminated prior to completion of the Services or during a period of service contemplated or agreed by the Engagement Letter or another arrangement between us, then we will be entitled to charge for work that has been undertaken and expenses incurred by us until the termination (notwithstanding any existing arrangement in relation to periodic or fixed fees, or otherwise).

12.5 On termination of this Agreement:

- (a) on request, each party must return all property and documentation of the other (provided that one copy of such documents may be retained as it requires to maintain a professional record of its involvement in the engagement); and
- (b) all fees and expenses for Services provided up to the date of termination are immediately due and payable.

13 NON-SOLICITATION OF PITCHER PARTNERS PERSONNEL

13.1 You agree that during this engagement and for a period of twelve months following the end of the engagement, you will not, directly or indirectly, without our prior written consent, offer (or procure any third party to offer) employment or any engagement to any partners, members, directors, employees or contractors of Pitcher Partners.

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14 DOCUMENT RETENTION AND DESTRUCTION

14.1 After the end of this engagement, you may leave documents to which you are entitled in our possession. We may choose to retain your file electronically, in which case we may destroy the original documents, unless you instruct us otherwise in writing.

14.2 You authorise us to destroy all physical and electronic files and records relating to this engagement, including documents that you have not retrieved, in accordance with our document retention policy (as amended from time to time).

14.3 We reserve the right to keep a copy of your file and all related documents, including documents which you retrieve from us.

14.4 This clause 14 does not apply to titles, deeds and wills.

14.5 All records to past, present and future tax liabilities remain your responsibility and you must maintain copies of all information relevant to potential or likely tax liabilities.

15 CONCERNS AND COMPLAINTS

15.1 If you have any concerns or complaints about our fees and expenses or in relation to the Services, please speak to the partner in charge as identified in the Engagement Letter. We may require you to detail your concerns in writing to allow us to properly investigate them.

16 MISCELLANEOUS PROVISIONS

16.1 This Agreement is governed and must be interpreted in accordance with the law of Victoria. The parties irrevocably agree to submit any dispute arising under this Agreement exclusively to the courts of Victoria (including any appeals therefrom).

16.2 Pitcher Partners is an independent member of Baker Tilly International. Baker Tilly International

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Limited is an English Company. Baker Tilly International provides no professional services to clients. Each member firm is a separate and independent legal entity, and each describes itself as such. Pitcher Partners is not Baker Tilly International's agent and does not have authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, Pitcher Partners, nor any of the other member firms of Baker Tilly International has any liability for each other's acts or omissions. The name Baker Tilly and its associated logo is used under licence from Baker Tilly International Limited.

16.3 Pitcher Partners is a member firm of the Pitcher Partners association of separate independent firms operating under the name "Pitcher Partners". The Services are provided exclusively by Pitcher Partners. Pitcher Partners is not an agent of any member of those associations of independent firms and does not have authority to bind any of them, act on their behalf, or exercise any management control over them. You acknowledge and agree that no member of those associations has any liability for another member's acts or omissions.

16.4 Nothing in this Agreement shall prevent us from taking any such action as may be required by law, statute or standard or to comply with the regulations of any relevant professional body.

16.5 Provided we do not disclose your confidential information, you agree to us using and reproducing your business names and logos and the nature of the Services we have performed for you when marketing our Services and the Services of our independent associates and affiliates.

16.6 Part or all of any term or clause of this Agreement that is illegal or unenforceable will be severed from the Agreement and will not affect the continued

operation of the remaining terms and clauses of this Agreement.

16.7 We will not be liable for any delay or breach of this Agreement caused by circumstances beyond our reasonable control including, but not limited to, acts of God, pandemics, strikes, lockouts, war (declared or undeclared), sabotage, or the effects of any applicable laws by government or other competent authority.

16.8 Nothing in this Agreement prevents us from providing Services to other persons.

16.9 This Agreement operates as a deed poll and is for the benefit of, and may be enforced by, any related or associated person of Pitcher Partners Advisors Proprietary Limited and any partner, director, employee or agent of Pitcher Partners Advisors Proprietary Limited and its related or associated entities.

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Appendix 2 Valuation Services Definition

APES 225 Valuation Services Section 2 defines the following three types of valuation engagements:

- Valuation – an engagement or assignment to perform a valuation and provide a valuation report where the valuer is free to employ the valuation approaches, valuation methods and valuation procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances available at that time.
- Where the valuer has entered into a valuation engagement but during the course of performing the valuation engagement the valuer becomes aware of a limitation or restriction that, if it had been known at the time the engagement or assignment was entered into, would have made the engagement or assignment a limited scope valuation engagement then the valuation engagement will become a limited scope valuation engagement.
- Limited Scope Valuation – an engagement or assignment to perform a valuation and provide a valuation report where the scope of work is limited or restricted. The scope of work is limited or restricted where the valuer is not free, as the valuer would be but for the limitation or restriction, to employ the valuation approaches, valuation methods and valuation procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the engagement or assignment available to the valuer at that time, and it is reasonable to expect that the effect of the limitation or restriction on the estimate of value is material.
- A limitation or restriction may be imposed by the client or it may arise from other sources or circumstances. A limitation or restriction may be present and known at the outset of the engagement or assignment or may arise or become known during the course of a valuation engagement. A limited scope valuation engagement may also be referred to as a restricted-scope valuation engagement or an indicative valuation engagement.
- Calculation – an engagement or assignment to perform a valuation and provide a valuation report where the valuer and the client agree on the valuation approaches, valuation methods and valuation procedures the valuer will employ.
- A calculation engagement generally does not include all of the valuation procedures required for a valuation engagement or a limited scope valuation engagement.

The extent of evidence obtained for significant matters in respect of each valuation engagement is detailed in the table below:

Type of Valuation Service	External environment of the entity	Entity specific non-financial information	Entity specific financial information	Valuation context and assessments
Valuation engagement	Limited to extensive	Limited to extensive	Limited to extensive	Limited to extensive
Limited scope valuation engagement	Minimal to limited	Minimal to limited	Minimal to limited	
Calculation engagement	None to minimal	None to minimal	None to minimal	



Key Considerations APES 225 Section 4.5

In addition to the above definitions, the key considerations in determining the applicability of the valuation engagement required are as follows:

- 4.5 (i)- Extent of reliance- The greater the extent of reliance on the conclusion of value or calculated value, the more likely a valuation engagement that is relatively less limited or not limited will be suitable.
- 4.5 (ii) – Significance of the matter to the client or employer - The more significant the conclusion of value or calculated value is, and the higher the degree of risk that it may be challenged, the more likely a valuation engagement that is relatively less limited or not limited will be suitable.
- 4.5 (iii) – Preliminary nature of the matter - In the course of an extended matter, a limited scope of work may be suitable for the purpose of making a preliminary or interim assessment.
- 4.5 (iv) – Number of users of the Valuation Report - The more users of the valuation engagement, and if some users would not understand the effect of any major limitations on scope, the more likely a valuation engagement that is relatively less limited or not limited will be suitable.
- 4.5 (v) – Public availability - If a valuation report is due to be disclosed, or referred to, in a public document and it would be reasonable to assume that some of the intended users may not understand the effect of any major limitations on scope, then a valuation engagement that is relatively less limited or not limited will be suitable.

APES 225 Valuation Services Section 2 defines:

Independence

- independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity and exercise objectivity and professional scepticism.
- independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a valuer or a member of the valuer Engagement team's, integrity, objectivity or professional scepticism has been compromised.



Appendix 3 Valuation Methodologies

The main methods for valuing equity and businesses are as follows:

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses. This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model. Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction. This methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.



The main valuation methods for valuing intangible assets are as follows:

Sales evidence method

Under the sales evidence method, the value of intellectual property is determined by examining evidence of prices paid for the intellectual property in question or, possibly, for comparable intellectual property. If the intellectual property in question was sold before the valuation date, then the price paid might provide some evidence of the market value at the valuation date. This requires that the state of the intellectual property at the date of sale was comparable to that at the valuation date, that the economic environment was comparable, and that the circumstances of the sale substantially reflect those assumed by the concept of market value (e.g. willing but not anxious parties).

Relief from royalty method

Under the relief-- from-- royalty method, the cash flows attributed to the intellectual property are the notional royalties saved by the user of the intellectual property due to owning it rather than having to license it from a third party. The main inputs needed to apply the relief--from--royalty method are the forecasted sales revenue, the royalty rate, and the discount rate. In our experience, the relief--from--royalty method is commonly used for valuing intellectual property.

Multi-period excess earnings method

Under the multi-period excess earnings method, the cash flows attributed to the intellectual property are determined by taking the cash flows for the business, being a collection of assets, and deducting the cash flows needed to produce an adequate rate of return on each of the assets that are not the intellectual property that are used in the business (which are called contributory assets): the cash flow that remains is, therefore, the cash flow of the intellectual property.

Incremental cash flow method

Under the incremental cash flow method, the cash flows attributed to the intellectual property are the incremental cash flows it produces. The incremental cash flows might include, for example, additional sales revenue arising because the intellectual property generates higher sales volume or higher prices or both, or cost savings arising because the intellectual property allows a product to be produced at a lower cost than otherwise would be the case. The incremental cash flows also include any investments in capital assets or working capital required to exploit the intellectual property.

Replacement cost method

The replacement cost method calculates value by considering the cost of constructing the intangible asset less certain forms of obsolescence. This is the cost at the valuation date to construct an intangible asset with the same utility as the intangible asset being valued, but using modern materials, techniques, standards and so on. It excludes any economic, functional or technical obsolescence.



Appendix 4 Valuation of License Agreement

DISCOUNTED CASH FLOW

Cashflows

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Periods Discounting		0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50
Royalty Payments (USD)		410,000	400,000	400,000	400,000	600,000	600,000	700,000	800,000	900,000
Tax Payments	25.0%	(102,500)	(100,000)	(100,000)	(100,000)	(150,000)	(150,000)	(175,000)	(200,000)	(225,000)
Free Cash Flow (USD)		307,500	300,000	300,000	300,000	450,000	450,000	525,000	600,000	675,000

High

Present Value Factor	5.00%	0.9759	0.9294	0.8852	0.8430	0.8029	0.7646	0.7282	0.6936	0.6605
Present Value of Cash Flows	7,266,066	300,089	278,829	265,551	252,906	361,294	344,089	382,322	416,132	445,856
Value of License Agreement (USD)	7,266,066									
Exchange Rate	1.5169									
Value of License Agreement (AUD)	11,021,896									

Low

Present Value Factor	7.00%	0.9667	0.9035	0.8444	0.7891	0.7375	0.6893	0.6442	0.6020	0.5626
Present Value of Cash Flows	6,071,852	297,271	271,048	253,316	236,743	331,883	310,171	338,193	361,221	379,788
Value of License Agreement (USD)	6,071,852									
Exchange Rate	1.5169									
Value of License Agreement (AUD)	9,210,392									

Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18
9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50
1,000,000	1,100,000	1,200,000	1,300,000	1,400,000	1,400,000	1,400,000	1,400,000	583,333
(250,000)	(275,000)	(300,000)	(325,000)	(350,000)	(350,000)	(350,000)	(350,000)	(145,833)
750,000	825,000	900,000	975,000	1,050,000	1,050,000	1,050,000	1,050,000	437,500

0.6291	0.5991	0.5706	0.5434	0.5175	0.4929	0.4694	0.4471	0.4258
471,805	494,272	513,530	529,832	543,418	517,541	492,896	469,425	186,280

0.5258	0.4914	0.4593	0.4292	0.4012	0.3749	0.3504	0.3275	0.3060
394,380	405,438	413,361	418,511	421,219	393,663	367,909	343,840	133,894



Appendix 5 Sources of Information, Disclaimer and Consents

Sources of Information

In undertaking this engagement, we relied on the following sources of information:

1. BDO Report to Creditors - 439A Report.
2. Toys R US ANZ Ltd (In Voluntary Administration) Inventory Appraisal Report prepared by Gordon Brothers, dated 1 July 2025.
3. Toys R Us ANZ Ltd (Administrators Appointed) Valuation and Appraisal Report of Pallet Racking, Forklifts, Warehouse and Administration Assets prepared by Manheim, dated 1 July 2025.
4. Publicly available information in respect of Toys R Us ANZ Ltd, including the share register.
5. Capital IQ.
6. License Agreement between Toys R Us Licensee Pty Ltd and TRY Kids Inc, dated 1 January 2024.
7. Toys and Game Retailing in Australia – IBISWorld, dated September 2024.
8. Online Toy Sales in Australia – IBISWorld, dated July 2025.
9. Comparable royalty rates benchmark data from Markables.

Qualifications

The individual responsible for preparing this report on behalf of Pitcher Partners Corporate Finance is Liesl Malcolm. Liesl is a member of the Institute of Chartered Accountants in Australia and New Zealand (CA ANZ), is a designated Business Valuation Specialist from the CA ANZ, holds a Bachelor of Business and Commerce degree and is an accredited senior appraiser with the American Society of Appraisers. Liesl has a significant number of years' experience in valuations, including the preparation of expert reports.

Disclaimer

The report has been prepared for the purpose indicated in the covering letter and should not be used for any other purpose.

In completing this engagement, we have necessarily relied on information and material supplied by Toys R Us and the Administrators. Our report is issued on the understanding that you have drawn our attention to all matters of which you are aware which may have an impact on our report up to the date of signature.

We reserve the right to revise our opinion in light of any information existing at the report date which becomes known to us after the date of the report. We will have no responsibility to update the report for events and circumstances occurring after the date of the report.

We will not be responsible for any error in our report caused by, or arising out of, or in any way connected with any omission of information or any misrepresentation, misleading or deceptive information or materials supplied to us.

Furthermore, recognising that we may rely on information provided by Toys R Us and the Administrators, Toys R Us and the Administrators have agreed to make no claim against me or Pitcher Partners to recover any loss or damage which Toys R Us, the Administrators or any associates may suffer as a result of that reliance and also has agreed to indemnify Pitcher Partners against any claim arising out of this engagement, except where the claim has arisen as a result of any proven wilful misconduct or negligence by Pitcher Partners.

Consents

Pitcher Partners consents to the issuing of this report in the form and context in which it is included in the Explanatory Statement to be sent to Toys R Us shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Pitcher Partners as to the form and context in which it appears.