

**Ord Packers Pty Ltd (OPPL)**  
**Berry Packers Pty Ltd (BPPL)**  
**Rural Labour Pty Ltd (Rural Labour)**  
**(Administrators Appointed)**  
**(Some Receivers and Managers Appointed)**

**Reconvened Second Meeting of Creditors**  
**9.30 am WST, Tuesday, 19 October 2010**

reach, vision, experience

CORPORATE ADVISORY

FORENSICS

CORPORATE RECOVERY



# Chairman's Introduction



# Chairman's Introduction



- Administrators – Martin Jones, Andrew Saker and Darren Weaver
- Appointed on 16 May 2010 over eight (8) companies of the Rewards Group
- Receivers and Managers appointed on 20 May 2010 to Rewards Group Limited and Rewards Land Pty Ltd and on 1 June 2010 to Rewards Management Pty Ltd, Berry Packers Pty Ltd and Ord Packers Pty Ltd – McGrath Nicol
- Second meeting of creditors held on 16 August 2010 whereby creditors resolved to adjourn the meetings for a period of up to 45 business days
- Control of Greentree Capital Pty Ltd reverted to its directors on 30 August 2010 given no quorum was present at the second meeting
- Separate meetings held together
- Martin Jones to act as Chairman

# Housekeeping



- Please turn off all mobile phones during the meeting
- Media will be asked to leave
- Chairman will invite questions at appropriate time
- All questions to be directed to Chairman
- When asking a question, please clearly state your name and the name of the company you represent for the purposes of minutes for the meeting



# Introduction of meetings



- Reconvened Second meetings of creditors
- Notice of meetings
- Purpose of meetings
- Separate meetings held together
- Admission of proxies
- Amount admitted – voting purposes only
- Quorum
- Voting and resolutions



# Independence, relationships and indemnities



- Declaration attached to Notice of Meeting
- No prior relationship with Company or related parties
- No conflict of interest
- Other relationships
  - Banks & financial institutions



# Voluntary Administration Process



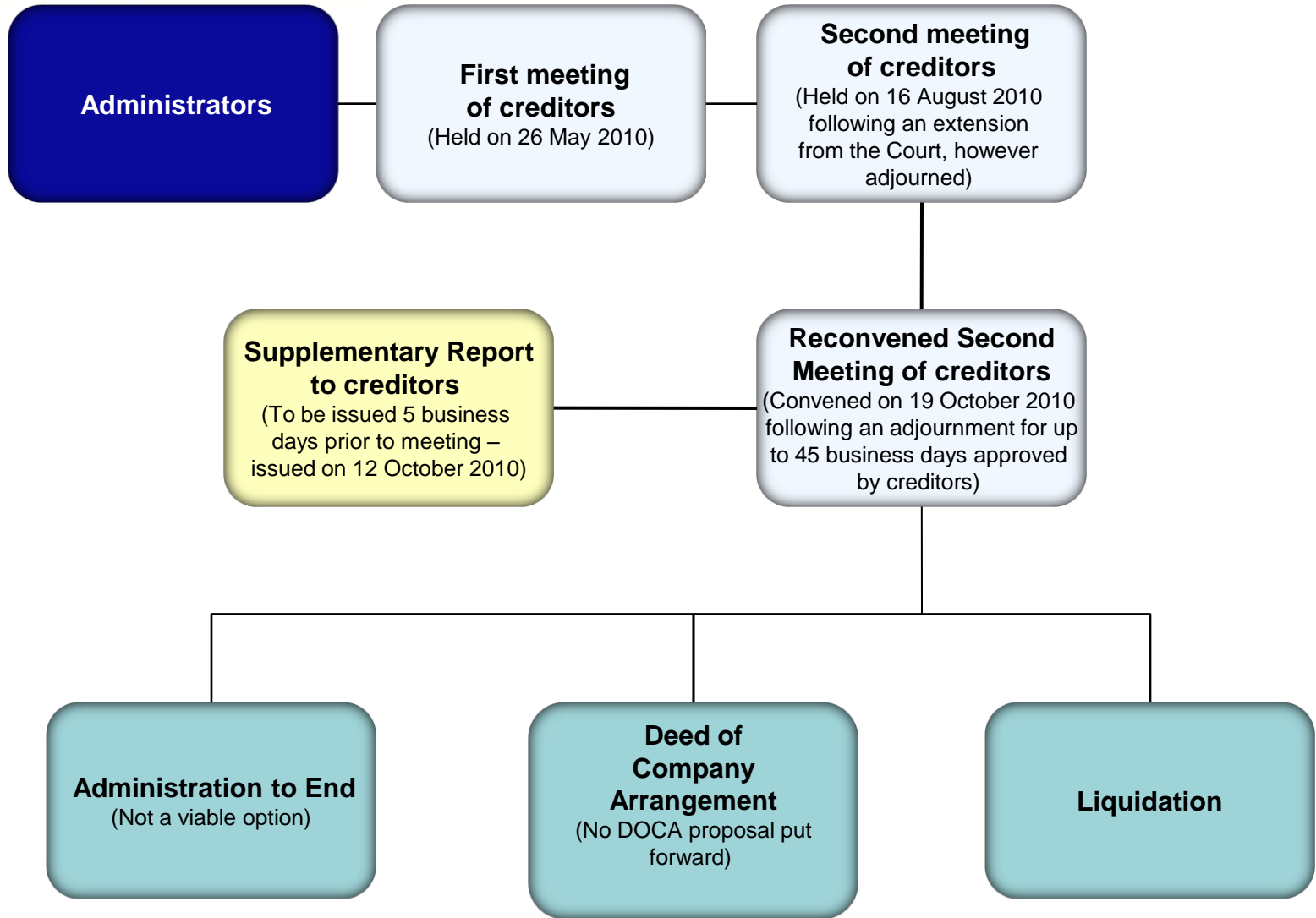
# Objectives of a Voluntary Administration



The objective of an Administration of a Company's affairs is to:

- Maximize the chances of the Company, or as much as possible, continuing in existence
- If not possible, result in a better return for Company's creditors and members that would otherwise result in the immediate winding up of the Company

# Voluntary Administration Process



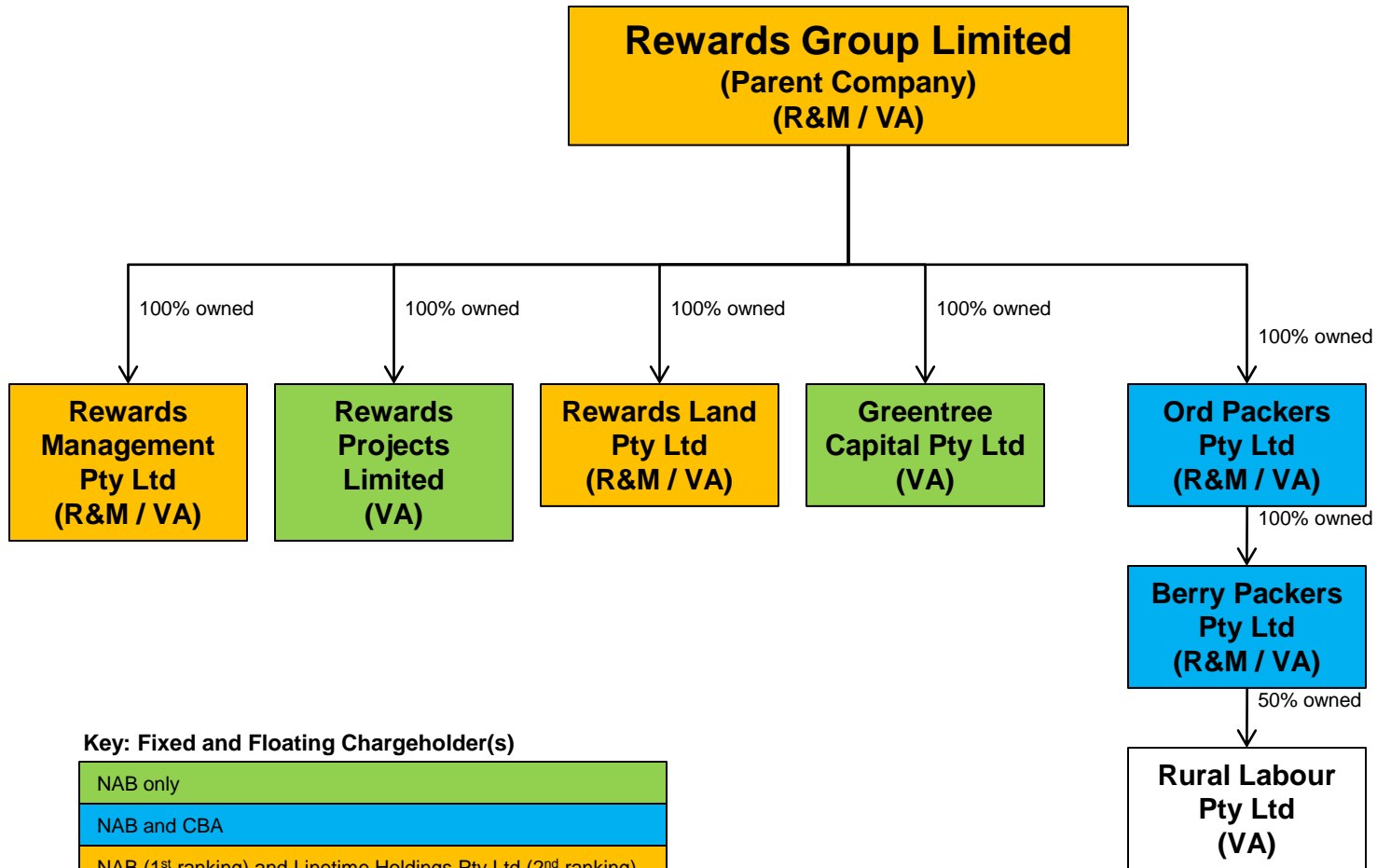
*What happens at the reconvened second meeting of creditors?*

*What can creditors decide?*

# Group Overview



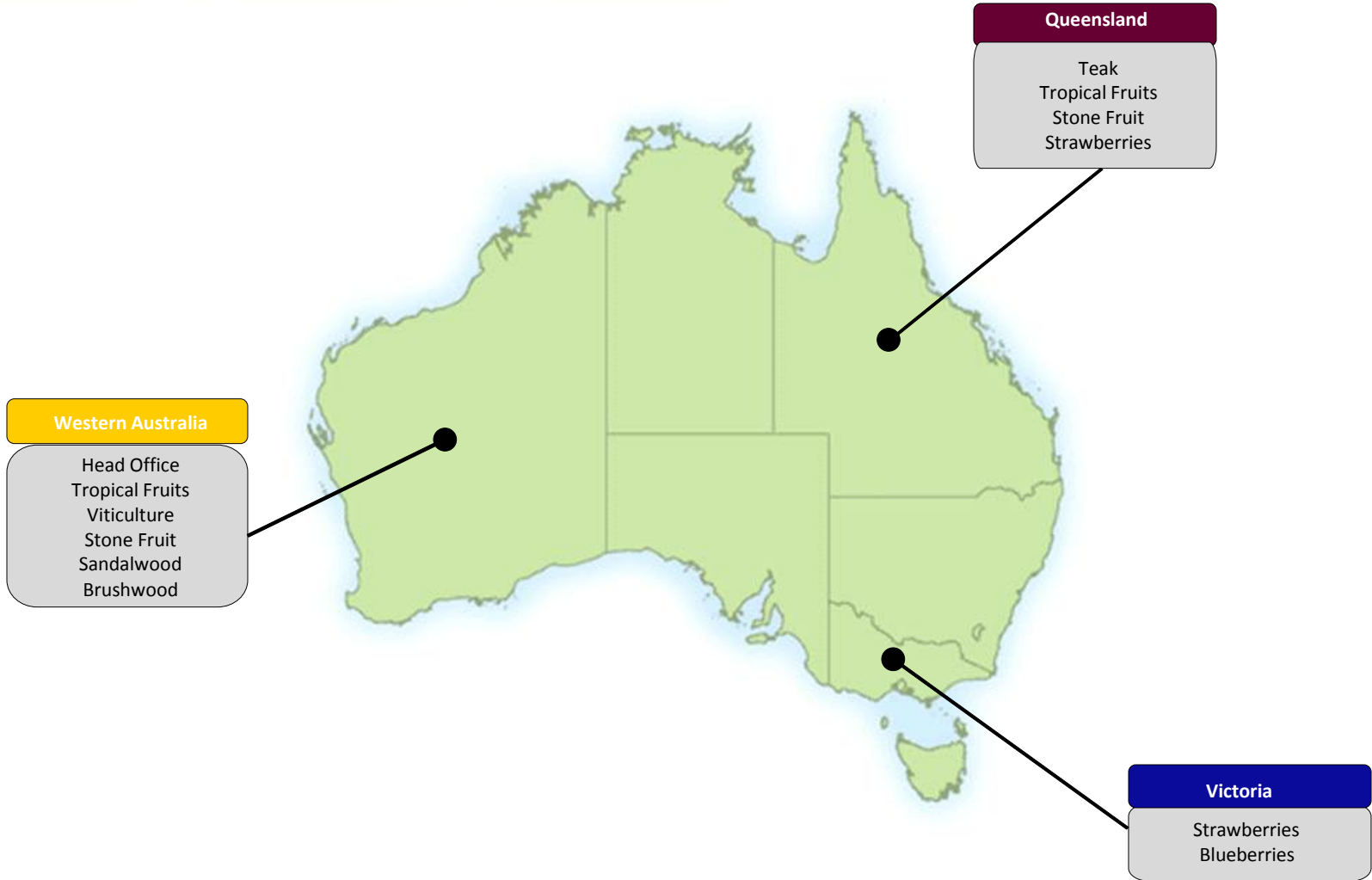
# Group Structure



**Key: Fixed and Floating Chargeholder(s)**

NAB only
NAB and CBA
NAB (1 <sup>st</sup> ranking) and Linetime Holdings Pty Ltd (2 <sup>nd</sup> ranking)
No Fixed and Floating Charges

# Operational Map





# Administrators' Reports



# Directors' Statement



Statement of Position	OPPL		BPPL		Rural Labour	
	Cost or Net Book Value as at 16 May 2010	Administrators' ERV as at 30 September 2010	Cost or Net Book Value as at 16 May 2010	Administrators' ERV as at 30 September 2010	Cost or Net Book Value as at 16 May 2010	Administrators' ERV as at 30 September 2010
<b>Assets:</b>						
Sundry debtors	1,411,865	Unascertained	472,131	Unascertained	1,444,661	Unascertained
Cash at bank and on hand	588	473	447	5,539	2,860	846
Inventory	467,506	Unascertained	Nil	Nil	Nil	Nil
Plant and Equipment	1,610,525	Unascertained	2,389,304	Unascertained	Nil	Nil
Less: Secured Creditor	Undisclosed	Undisclosed	Undisclosed	Refer Below	Nil	Nil
Other Assets	3,420,999	Unascertained	10	Nil	Nil	14,000
<b>Total Available Assets</b>	<b>6,911,483</b>	<b>Unascertained</b>	<b>2,861,892</b>	<b>5,539</b>	<b>1,447,521</b>	<b>Unascertained</b>
<b>Liabilities:</b>						
Secured creditors						
NAB	Undisclosed	(4,000,000)	Undisclosed	(4,000,000)	Nil	Nil
CBA	Undisclosed	(700,492)	Undisclosed	(700,492)	Nil	Nil
BOQ	Nil	Nil	Undisclosed	Unascertained	Nil	Nil
- Administrators Fees and Disbursements	N/A	(14,715)	N/A	(14,860)	N/A	(16,042)
- Estimated Administrators Fees and Disbursements	N/A	(15,000)	N/A	(15,000)	N/A	(15,000)
- Liquidators Fees and Disbursements	N/A	(100,000)	N/A	(100,000)	N/A	(100,000)
<b>Total Priority Creditors</b>	<b>-</b>	<b>(4,830,207)</b>	<b>-</b>	<b>(4,830,352)</b>	<b>-</b>	<b>(339,187)</b>
<b>Available to Unsecured Creditors</b>	<b>6,911,483</b>	<b>Unascertained</b>	<b>2,861,892</b>	<b>(4,824,813)</b>	<b>1,447,521</b>	<b>Unascertained</b>
Ordinary unsecured creditor claims	(6,866,317)	(6,866,317)	(1,056,574)	(1,058,546)	(1,382,937)	(1,489,219)
<b>Estimated Surplus/(Deficiency)</b>	<b>45,166</b>	<b>Unascertained</b>	<b>1,805,318</b>	<b>(5,883,359)</b>	<b>64,584</b>	<b>Unascertained</b>
<b>Estimated rate of dividend to Unsecured Creditors</b>	<b>1.01</b>	<b>Unascertained</b>	<b>2.71</b>	<b>Nil</b>	<b>1.05</b>	<b>Unascertained</b>

# Causes of Failure



- Based upon our preliminary investigations to date we consider that the main causes of failure for **OPPL** and **BPPL** were:
  - ❑ Inherent risks associated with the horticultural and agricultural industry;
  - ❑ Failure to enforce payment terms with related party companies;
  - ❑ Reduced investor confidence in MIS is resulting in a deteriorating industry;
  - ❑ Lack of willing external funders; and
  - ❑ Lack of adequate working capital.

# Causes of Failure



- Based upon our preliminary investigations to date we consider that the main causes of failure for **Rural Labour** were:
  - ❑ Inherent risks associated with the horticultural and agricultural industry;
  - ❑ Failure to enforce payment terms with related party companies;
  - ❑ Reduced investor confidence in MIS is resulting in a deteriorating industry;
  - ❑ Lack of willing external funders;
  - ❑ Poor day to day operations management especially with respect to managing outstanding debtors; and
  - ❑ Lack of adequate working capital.

## Ord Packers Pty Ltd

- It is the Administrators' preliminary view that OPPL may have been insolvent as early as October 2009 based on aged payables, working capital, net assets and profitability records
- Possible defences available to the directors of OPPL should a claim for insolvent trading be made against them include:
  - A reasonable expectation that the company was or would remain solvent due to the support of RGL, RMPL and RPL to meet its payment obligations and that a recapitalisation of the Rewards Group was being planned;
  - When it appeared that the recapitalisation efforts were unlikely to go ahead, the directors took actions (sought advice on 6 May 2010) which lead to the appointment of the Administrators on 16 May 2010; and
  - The Rewards Group was able to secure further funding from NAB in early March 2010.
- It may be arguable that RGL as the holding company may be held liable for the debts incurred by OPPL subsequent to when it became insolvent under Section 588W of the Corporations Act (only from 1 February 2010 when RGL became its holding company)

# Statutory Investigations



## Ord Packers Pty Ltd

- Other matters to be investigated by a liquidator:
  - Unreasonable director-related transactions in relation to packing services between OPPL and BPPL
  - Unfair preference transactions

## Berry Packers Pty Ltd

- It is the Administrators' preliminary view that BPPL may have been insolvent as early as October 2009 based upon our review of aged payables and the company's working capital position.
- Possible defences available to the directors of BPPL should a claim for insolvent trading be made against them include:
  - A reasonable expectation that the company was or would remain solvent due to the support of RGL and RMPL to meet its payment obligations and that a recapitalisation of the Rewards Group was being planned;
  - When it appeared that the recapitalisation efforts were unlikely to go ahead, the directors took actions (sought advice on 6 May 2010) which lead to the appointment of the Administrators on 16 May 2010; and
  - The Rewards Group was able to secure further funding from NAB in early March 2010.

## Berry Packers Pty Ltd

- It may be arguable that RGL as holding company may be held liable for the debts incurred by BPPL subsequent to when it became insolvent under Section 588W of the Corporations Act (only from 1 February 2010 when RGL became its holding company)
- Other matters to be investigated by a liquidator:
  - Unreasonable director-related transactions in relation to packing services between BPPL and OPPL and guarantee and indemnity provided to the Rewards Group by BPPL for a leasing arrangement
  - Unfair preference transactions

## Rural Labour Pty Ltd

- It is the Administrators' preliminary view that Rural Labour may have been insolvent as early as December 2009 based upon our review of aged payables, working capital, net assets and statutory commitments
- Possible defences available to the directors of Rural Labour should a claim for insolvent trading be made against them include:
  - A reasonable expectation that the company was or would remain solvent due to the support of RMPL, RPL and RGL to meet its payment obligations and that a recapitalisation of the Rewards Group was being planned;
  - When it appeared that the recapitalisation efforts were unlikely to go ahead, the directors took actions (sought advice on 6 May 2010) which lead to the appointment of the Administrators on 16 May 2010; and
  - The Rewards Group was able to secure further funding from NAB in early March 2010.

# Statutory Investigations



## Rural Labour Pty Ltd

- Other matters to be investigated by a liquidator:
  - Unfair preference transactions
  - Unreasonable director related transactions

# Options Available to Creditors at Meeting

- The following options are available to creditors for each respective company at this meeting:
  - That the company should be wound up; or
  - That the company execute a DOCA. (This option falls away as no DOCA has been proposed); or
  - That the administration should end.

# Administrators' Recommendation

- The Administrators recommend that creditors resolve to **wind up** OPPL, BPPL and Rural Labour for the following reasons:
  - The option of the administration ending is not viable as the companies are insolvent and there is no valid commercial reason why control of the companies should revert back to their directors; and
  - No Deed of Company Arrangement proposal has been put forward which encompasses the companies.

# Questions from Creditors



- All questions to be directed to Chairman
- When asking a question, please clearly state your name and the name of the company you represent for the purposes of the minutes of the meeting





# Formal Items of Business



- For creditors to consider a resolution THAT:

“the company be wound up”.

(A resolution to be put forward and considered for each of OPPL, BPPL and Rural Labour.)

- For creditors to consider a resolution THAT:

“the administration end”.

(A resolution to be put forward and considered for each of OPPL, BPPL and Rural Labour.)

## Ord Packers Pty Ltd

- “THAT the Administrators’ remuneration as set out in the Administrators’ remuneration report dated 12 October 2010 for the period 16 August 2010 to 30 September 2010 be fixed in the sum of \$3,766.50 (exclusive of GST)”.
- “THAT the Administrators’ further remuneration as set out in the Administrators’ remuneration report dated 12 October 2010 for the period 1 October 2010 to 18 October 2010 be fixed in accordance with the hourly rates of Ferrier Hodgson up to the sum of \$15,000 (exclusive of GST)”.

## Berry Packers Pty Ltd

- “THAT the Administrators’ remuneration as set out in the Administrators’ remuneration report dated 12 October 2010 for the period 16 August 2010 to 30 September 2010 be fixed in the sum of \$14,860.00 (exclusive of GST)”.
- “THAT the Administrators’ further remuneration as set out in the Administrators’ remuneration report dated 12 October 2010 for the period 1 October 2010 to 18 October 2010 be fixed in accordance with the hourly rates of Ferrier Hodgson up to the sum of \$15,000(exclusive of GST)”.

## Rural Labour Pty Ltd

- “THAT the Administrators’ remuneration as set out in the Administrators’ remuneration report dated 12 October 2010 for the period 16 August 2010 to 30 September 2010 be fixed in the sum of \$15,696.00 (exclusive of GST)”.
- “THAT the Administrators’ further remuneration as set out in the Administrators’ remuneration report dated 12 October 2010 for the period 1 October 2010 to 18 October 2010 be fixed in accordance with the hourly rates of Ferrier Hodgson up to the sum of \$15,000 (exclusive of GST)”.

## Ord Packers Pty Ltd

- “THAT the Liquidators’ remuneration, as set out in the Administrators’ remuneration report dated 12 October 2010 be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$100,000.00 (exclusive of GST) and the Liquidators be authorised to make periodic payments on account of such accruing remuneration”.
- “THAT A Committee of Inspection be appointed”.
- “That the books and records of the company be disposed of 12 months after the dissolution of the company or earlier at the discretion of the ASIC

## **Berry Packers Pty Ltd**

- “THAT the Liquidators’ remuneration, as set out in the Administrators’ remuneration report dated 12 October 2010 be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$100,000.00 (exclusive of GST) and the Liquidators be authorised to make periodic payments on account of such accruing remuneration”.
- “THAT A Committee of Inspection be appointed”.
- “That the books and records of the company be disposed of 12 months after the dissolution of the company or earlier at the discretion of the ASIC

## Rural Labour Pty Ltd

- “THAT the Liquidators’ remuneration, as set out in the Administrators’ remuneration report dated 12 October 2010 be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$100,000.00 (exclusive of GST) and the Liquidators be authorised to make periodic payments on account of such accruing remuneration”.
- “THAT A Committee of Inspection be appointed”.
- “That the books and records of the company be disposed of 12 months after the dissolution of the company or earlier at the discretion of the ASIC

# Closure of Meetings



- Other business
- Final questions
- Next steps
  - Further reports and communications to creditors
- Thank you for attendance

# Closure of Meetings



- The meetings of creditors for the below entities have now concluded
  - Ord Packers Pty Ltd
  - Berry Packers Pty Ltd
  - Rural Labour Pty Ltd
  
- Further meetings of creditors of other entities of the Rewards Group to be held at 11.30 am WST