

TO THE CREDITOR AS ADDRESSED

Grant Thornton (Qld) Pty Ltd
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1 April 2010

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Dear Sir/Madam

**KA OPERATIONS PTY LTD (ADMINISTRATORS APPOINTED)
(TRADING AS “KILLARNEY ABATTOIR”) (“THE COMPANY”)
A.C.N. 129 145 106**

I refer to previous correspondence regarding the above named Company and the First Meeting of Creditors held on Thursday, 11 March 2010.

I advise that the Second Meeting of Creditors for the Company will be held concurrently with the Second Meetings of Creditors for CRM Wholesalers Pty Ltd (Administrators Appointed) and Tawview Pty Ltd (Administrators Appointed), which is to be held on **Tuesday, 13 April 2010** at 3.00pm.

I enclose for your attention:

1. Notice of Concurrent Meeting Pursuant to Section 439A(3)(a) of the Act.;
2. Proof of Debt Form for the purposes of voting;
3. Proxy Form;
4. Administrators' Report to Creditors pursuant to Section 439A(4) of the Act;
5. Remuneration Report; and
6. Grant Thornton Schedule of Hourly Rates.

Please note that persons are not entitled to vote as a creditor at the meeting unless they have lodged with the Chairman of the meeting the particulars of the debt they claim to be due to them from the Company. Corporate creditors are required to appoint a natural person to vote on their behalf at the meeting or creditors.

Proof of Debt and Proxy Forms should be lodged with this office prior to the meeting. These forms may be lodged via facsimile on (07) 3222 0446, however in accordance with Corporations Regulation 5.6.36A, the original signed copy of the Proxy Form must be lodged with my office within 72 hours of lodging the faxed copy.

Copies of this Circular to Creditors including the Notice of Meeting, Proof of Debt, Proxy Form and Section 439A(4) Report to Creditors can also be obtained from www.grantthornton.com.au via the “Creditors Info” link. The minutes of the Second Meeting of Creditors will also be available from the above website approximately 14 days after the meeting.

Should you have any queries in relation to the above matter, please do not hesitate to contact Ms Heile Hofheins of my office on (07) 3222 0243.

Yours faithfully



M G McCann
Administrator

Enc.

Corporations Act 2001 (Cwlth)

NOTICE OF A CONCURRENT MEETING OF CREDITORS OF

**CRM WHOLESALERS PTY LTD
(ADMINISTRATORS APPOINTED)
A.C.N. 129 144 976**

**KA OPERATIONS PTY LTD
(ADMINISTRATORS APPOINTED)
A.C.N. 129 145 106**

**TAWVIEW PTY LTD
(ADMINISTRATORS APPOINTED)
A.C.N. 112 110 424**

Notice is hereby given that a concurrent meeting of the creditors of the above companies will be held at the offices of Grant Thornton Chartered Accountants, Ground Floor, Grant Thornton House, 102 Adelaide Street, Brisbane QLD 4000 on Tuesday, 13 April 2010 at 3.00pm.

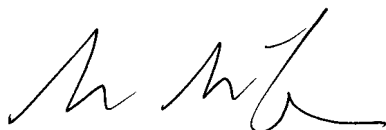
AGENDA

1. To consider the Administrator's report on the above companies, their business, affairs and financial circumstance.
2. Questions from creditors.
3. For creditors to resolve:
 - a) That the above companies execute Deeds of Company Arrangement;
 - b) That the Administrations should end; or
 - c) That the above companies should be wound up.
4. Fix the remuneration of the Voluntary Administrator and Deed Administrator/Liquidator.
5. Consider the appointment of Committees of Inspection.

In the event the above companies are placed into Liquidation:

6. Authorise the early destruction of the above companies' books and records.
7. Authorise the Liquidator to compromise a debt owed to the above companies of any amount.
8. Any other business that may be lawfully brought forward.

DATED this 1st day of April 2010



M G McCANN
Administrator

Grant Thornton
Chartered Accountants
Ground Floor, 102 Adelaide Street
BRISBANE QLD 4000
Ph: (07) 3222 0200

**FORMAL PROOF OF DEBT OR CLAIM
(GENERAL FORM)**

To the Administrators of: **KA OPERATIONS PTY LTD (TRADING AS “KILLARNEY ABATTOIR”)** (ADMINISTRATORS APPOINTED) A.C.N. 129 145 106:

1. This is to state that the company was, on **1 March 2010** and still is, justly and truly indebted to.....

(full name and address of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor) for
dollars andcents.
 ABN of the Creditor:

Date	Consideration (state how the debt arose)	Amount \$ c	Remarks (include details of voucher substantiating payment)

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following:
(insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).

Date	Drawer	Acceptor	Amount \$ c	Due Date

- *3. I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied/ or
- *3 I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.
4. Pursuant to subregulation 5.6.11A(4) I consent to receiving a short version notification of all future correspondence by mail and accessing the complete version of future reports to creditors from the internet site (www.granthornton.com.au). Details of how to access reports held on the Grant Thornton internet site will be provided in all short version notification sent to creditors. (Please strike this clause out if you require the entire report to be posted to you).

Dated this day of 2010.

Signature
 Occupation
 Address

*Delete if this proof is made by the creditor personally.

FORM 532

Regulation 5.6.29

Corporations Act 2001 (Cwlth)

APPOINTMENT OF PROXY
CREDITORS MEETING

KA OPERATIONS PTY LTD (TRADING AS "KILLARNEY ABATTOIR")
(ADMINISTRATORS APPOINTED)
A.C.N. 129 145 106

I/We (Note 1) (name of creditor)
Of (address of creditor)

A creditor of KA Operations Pty Ltd (Administrators Appointed) hereby appoint:

(name of proxy)(Note 2)

Of (address of proxy)

Or in his absence, (name of alternative proxy)

Of (address of alternative proxy)

As my/our special/general (Note 3) proxy to vote at the concurrent meeting of creditors to be held in the above matter on 13 April 2010 or at any adjournment thereof.

If special proxy please select ONE of the following:

1 To vote on all matters arising from the meeting

AND/OR ALTERNATIVELY

2 To vote specifically in the following manner:

(a) That the Company execute a Deed of Company Arrangement

FOR

AGAINST

ABSTAIN

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[]

[]

(b) That the Voluntary Administration should end

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(c) That the Company be wound up

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[]

(d) That the Administrators' and Deed

[]

[]

[]

Administrators'/Liquidators' remuneration be approved

(e) To authorise the destruction of the Company's books and records six months after deregistration

[]

[]

[]

(f) To authorise the liquidator to compromise a debt outstanding to the Company of any amount

[]

[]

[]

DATED this day of 2010

Signature (Note 4)

CERTIFICATE OF WITNESS (NOTE 5)

I, of , certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

DATED this day of 2010

Signature of Witness

Description

Place of Residence

NOTE:

- 1. If a firm, strike our "P" and set out the full name of the firm.
2. Insert the name, address and description of the person appointed.
3. If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular resolution.
4. The signature of the creditor, contributory, debenture holder or member must not be attested by the person nominated as proxy.
5. This certificate is to be completed only where the person giving the proxy is blind or incapable of writing.



Report to creditors of
KA Operations Pty Ltd Pty Ltd (Administrators Appointed)
As trustee for The KA Operations Trust
(Formerly trading as “Killarney Abattoir”)
A.C.N 129 145 106

1 April 2010



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1 Introduction

- Michael McCann and Graham Killer were appointed Voluntary Administrators on 1 March 2010.
- The first meeting of creditors was held on 11 March 2010.
- The second meeting of creditors will be held on Tuesday, 13 April 2010 at 3.00pm.

Introduction

Michael McCann and Graham Killer were appointed Voluntary Administrators of the Company pursuant to Section 436A of the Corporations Act 2001 (“the Act”) after a resolution was passed by the Director of KA Operations Pty Ltd (“the Company”) on 1 March 2010.

First meeting of creditors

Pursuant to Section 436E of the Act, the first meeting of creditors of the Company was held on 11 March 2010. A quorum was present at the meeting, and our appointment as Voluntary Administrators was not challenged. Creditors did not resolve to appoint a committee of creditors at the meeting.

As discussed at the first meeting, please find below details of the creditors who were willing to act as representatives of the general body of creditors:

- Todd Devenish from Coomrith Cattle Company (Ph: 07 4663 0742)
- Barry Rich from Rich Enterprises Pty Ltd (Ph: 07 4687 6644)
- Chris Newman from AMIEU (Ph: 07 3217 3766)

Our investigations into the affairs of the Company, pursuant to Section 438A of the Act have now been completed, and we report hereunder pursuant to Section 439A of the Act.

Second meeting of creditors

The second meeting of creditors of the Company will be held on Tuesday, 13 April 2010 at 3.00pm at our office located on Ground Floor, Grant Thornton House, 102 Adelaide Street, Brisbane QLD.

The purpose of the second meeting is to consider the Administrators’ report on the Company’s business, property, affairs and financial circumstances and to consider the Administrators’ statement of opinion in respect of each of the options available to creditors.

At the meeting, creditors will be required to determine the future of the Company and to resolve one of the following:

- That the Company execute a Deed of Company Arrangement (“DOCA”); or
- That the administration end; or
- That the Company be wound up.

If necessary this meeting may be adjourned for up to 45 business days.

For reasons stated in this report **it is our opinion that it is in the interests of creditors to vote in favour of the Company being wound up.**

Creditors should note that in preparing this report we have relied on information that has been provided by the Director of the Company and the books and records of the Company.

In the event that the Company proceeds into liquidation, this report will form the basis of further investigation. Provided that funding is available, the investigation will be more extensive than that undertaken to date, particularly due to the time constraints of the voluntary administration process. Further investigation may be supported by public examinations of the Director, officers and others who may be able to provide information about the Company's examinable affairs (as that expression is defined in the Act).

It is our view that this report provides sufficient information to creditors to allow them to make an informed decision about the Company's future and allows the Voluntary Administrators to make a reasoned and fair recommendation based upon our opinions and the options available to creditors.

Compliance with best practice

We confirm that this report complies with the statements of best practice issued by the Insolvency Practitioners Association of Australia ("IPA") with regard to content of Administrators reports (effective 1 July 2001) and the Code of Professional Practice with regard to remuneration (effective 31 December 2007).

Abbreviations used in this report

- "ABN" – Australian Business Number
- "ACN" – Australian Company Number
- "Act" – Corporations Act 2001
- "ASIC" – Australian Securities & Investment Commission
- "ATO" – Australian Taxation Office

- "BAS" – Business Activity Statement
- "Company" – KA Operations Pty Ltd
- "CRM" – CRM Wholesalers Pty Ltd (Administrators Appointed) (Formerly trading as "Condamine River Meats")
- "DEEDI" – Department of Employment, Economic Development and Innovation
- "DOCA" – Deed of Company Arrangement
- "the Director" – Mr Dudley Leitch
- "FY 2008" – the 2008 financial year being the period 1 July 2007 to 30 June 2008
- "FY 2009" – the 2009 financial year being the period 1 July 2008 to 30 June 2009
- "FY 2010" – the 2010 financial year being 1 July 2009 to 28 February 2010
- "GEERS" – General Employee Entitlements Redundancy Scheme
- "IPA" – Insolvency Practitioners Association of Australia
- "KAP" – KA Properties Pty Ltd
- "Large Stock" – cattle and backfatters
- "LPG" – Leitch Pastoral Group
- "relation back date" – the commencement of the winding up date, or the date the Administrators were appointed – being 1 March 2010.
- "Rural Bank" – Rural Bank Limited

- “SGC” – Superannuation Guarantee Charge
- “Small Stock” – lambs, goats and pigs
- “SOCP” – Statement of Current Position
- “Tawview” – Tawview Pty Ltd (Administrators Appointed)
(Formerly trading as “Pittsworth Food Processors”)

2 Administrators' Executive Summary

- The Company ceased to trade prior to my appointment and had previously stood down the majority of the employees of the Company in early February 2010.
- Actions have been undertaken since the date of appointment to pursue the outstanding debtors of the Company.
- The Company may have been insolvent from as early as 30 June 2009.
- It is recommended that the Company be placed in Liquidation.

Independence

We confirm that there have no changes to the Declaration of Independence, Relevant Relationships and Indemnities issued to creditors with the initial Notice to Creditors.

Neither the Company, nor its director, have been clients of this firm and we have not provided any professional advice to the Company or its director except in relation to the appointment of an administrator.

Background

The Company operated an abattoir in Killarney and predominantly specialised in large stock (cattle and backfatters), small stock (lambs, pigs and goats) and offal.

The Company's customers included butchers shops and smaller wholesalers. Its largest customer was CRM Wholesalers Pty Ltd, which was placed in Voluntary Administration on 1 March 2010. Related entity, Tawview Pty Ltd (formerly trading as "Pittsworth Food Processors") was also placed into Voluntary Administration on 1 March 2010. Mr Graham Killer and I are also the joint and several Voluntary Administrators of these entities.

Prior to the Company ceasing to trade it operated from premises located on Border Road, Killarney. These premises are owned by related party KA Properties Pty Ltd.

Reasons for failure

Likely reasons for the failure of the Company are as follows:

- Substantial ongoing trading losses and limited working capital to fund such losses;
- Bad debt of approximately \$370,855 from Prestons Fresh Meats Pty Ltd
- Poor strategic management of the business;
- Continued operating losses from the wholesaling division due to poor/negative sales margins;
- Poor management including debtor management;
- Poor strategic management of business; and
- Under capitalisation.

Trading during the administration period

Upon our appointment we evaluated the operations of the Company, to enable us to determine whether there would be any potential benefit to re-commence the trading of the business during the voluntary administration period. The following factors were considered:

- Operations had been closed for 3 - 4 weeks prior and the majority of staff were stood down;
- The goodwill remaining with suppliers and customers had been impacted by the insolvency of the 3 companies. These parties had necessarily moved to other wholesalers/processors following the closure of the business;
- There was limited stock on hand at appointment and sufficient working capital was not available;

- The business had made significant losses in the period of operation prior to our appointment; and
- The costs of restarting and continuing to trade the business.

Upon consideration of all the above, we concluded that it would be in the best interests of all creditors not to re-commence operations and commenced action to realise the remaining assets of the Company which included debtors and minimal plant and equipment and office equipment.

Following our decision not to re-commence operations, the majority of staff were terminated on 3 March 2010. Some administration staff however were retained for the collection of debtors, calculation of employee entitlements and other general duties.

Sale of business and assets

On appointment, investigations were undertaken to determine whether it was possible to sell the business of Killarney Abattoir, however it was concluded that the business had limited value in its own right. This conclusion was reached after considering the following:

1. The Company had not been trading for approximately 3 to 4 weeks prior to my appointment so any sale as a going concern would be difficult.
2. Its main livestock supplier and distribution network (CRM Wholesalers) was in Voluntary Administration and were not likely to re-commence trading;

3. The Company does not own the assets which are integral to the operations of the abattoir. These assets are owned by the owner of the property from which Killarney Abattoir traded from. The owner of the property is related party KA Properties Pty Ltd (“KAP”); and
4. The director of KAP, Mr Dudley Leitch, is currently in the process of selling the Border Road property and the assets contained thereon. It is highly unlikely that any purchaser of the property will attribute value to the goodwill or business assets owned by the Company.

Over the coming weeks, steps will be taken to sell the remaining assets of the Company at auction. The net proceeds of the sales (after deducting realisation costs) will be forwarded to the Rural Bank pursuant to its fixed charge security.

Investigations by the Voluntary Administrators

Investigations to date have focused on the trading history during the months leading up to our appointment and the reasons for the Company being placed into Voluntary Administration.

These investigations have also focused on issues such as insolvent trading, preference payments and uncommercial transactions. Our investigations and findings on these issues are detailed in **Section 7** of this report.

We believe the Company may have been insolvent at 30 June 2009. We have identified potential preference payments in the sum of \$1,186,747 made to 18 related and unrelated trade creditors.

Return to creditors

Based upon our investigations, and the information available, we believe that in the event of liquidation:

- **Priority creditors (Employees) are expected to receive between 48 and 77 cents in the dollar**
- **The secured creditor, Rural Bank, will not receive a return pursuant to its floating charge.**
- **The return to unsecured creditors is unknown at this stage as this will depend upon on the quantum of any voidable transactions that are recovered. We estimate that if Liquidators recoveries are successful in full, unsecured creditors may receive a dividend of up to 9 cents in the dollar.**

At the forthcoming meeting, creditors will be required to resolve one of the following options for the Company's future:

- That the Company execute a DOCA
- That the Administration end (and the Company be returned to the Director's control); or
- That the Company be wound up.

Should circumstances require it, the meeting may be adjourned by Creditors for up to 45 business days.

A summary of each scenario and our recommendation is provided below.

That the Company execute a DOCA

As no DOCA has been proposed to date, and it is unlikely one will be received prior to the forthcoming meeting, I am unable to recommend this option to creditors.

That the Administration end

Should creditors resolve to end the administration, the Company will be placed in a similar position to that which existed prior to our appointment (i.e. as if the administration did not occur). Creditors would then have the option of pursuing their usual recovery actions against the Company such as court actions to obtain judgments, warrants of execution or even winding up the Company. As the Company is insolvent, we do not believe there would be any benefit to creditors in ending the administration.

It is our opinion that it would **NOT** be in creditors' best interests for the administration to end.

That the Company be wound up

Should creditors resolve to wind up the Company, the Company will be placed into liquidation that day. A Liquidator is required to realise Company property and distribute the proceeds to creditors in accordance with the priorities detailed in the Act. A Liquidator is also required to undertake further investigation into the Company's prior activities and the conduct of its director.

As we have not received any proposal from the Director or any other party in relation to a DOCA, and as the Company is insolvent, we believe that it is in the best interest of creditors **that the Company be wound up.**

That the meeting be adjourned

Neither the Director nor any other party has indicated an intention to propose a DOCA, and as at the date of this report no proposal had been received. Accordingly, we see no reason at this time why the meeting should be adjourned.

3 Statutory Information

- The Company was incorporated on 9 January 2008 and commenced trading in March 2008.
- The sole director is Mr Dudley Leitch.
- Unsecured creditors consist mainly of trade (related and non-related) and statutory creditors.

Company details

We were first contacted by the Queensland Department of Employment, Economic Development and Innovation (“DEEDI”) to conduct a limited scope review of the Company and related entities in September 2009.

On 10 February 2010 we met with management and the director of the Company to discuss the financial position of the Leitch Pastoral Group and the options and alternatives available.

The director determined the Company was insolvent and we were appointed Voluntary Administrators on 1 March 2010.

The Company was registered on 9 January 2008 and acts as trustee for the KA Operations Trust.

The ASIC records state the Company’s current registered office GA Wallace Group, Level 10, 388 Queen Street, Brisbane and principal place of business as 41 Carnaby Street, MacGregor, both in the state of Queensland.

Director / Secretary

At the date of our appointment, the ASIC records detail the Director and Secretary as:

Name	Appointment date
Dudley Leitch	9 January 2008

Share capital

The issued share capital of the Company is as follows:

Shareholder	Number	Class	Paid up capital \$
Dudley Leitch	50	Ordinary	50.00
Karen Leitch	50	Ordinary	50.00
Total	<u>100</u>		<u>100.00</u>

Secured Creditors

As at the date of our appointment, only one charge was registered against the Company which was:

Secured creditor	Date registered	Charge number
Rural Bank Ltd	14 May 2009 (Fixed and Floating)	1788329

Priority and unsecured creditors

Priority creditor claims consist of casual and permanent employees in respect of unpaid superannuation contributions and leave, notice and redundancy entitlements.

Unsecured creditors consist of trade (related and non-related) and statutory creditors.

4 Company History

- The Company was acquired in March 2008.
- The business processed meat products with finished goods being distributed to other meat wholesalers and retail butcher shops.
- On 1 March 2010 the Company was placed into Voluntary Administration.

Overview

The Company was registered and commenced trading in early 2008.

The Company currently operates from premises owned by a related entity located on Boundary Road, Killarney in the state of Queensland.

The Company's primary business operation is an abattoir (Meat works) and is part of the Leitch Pastoral Group ("LPG") which includes farms, feedlots, other abattoirs and wholesaling divisions and butcheries.

The only other entities within the LPG of which are in external administration, of which I am the Voluntary Administrator of, are as follows:

1. Tawview Pty Ltd (formerly trading as Pittsworth Food Processors); and
2. CRM Wholesalers Pty Ltd (trading as Condamine River Meats).

Other related parties within LPG are as follows:

1. DR & KA Leitch (partnership) –farming/feedlot operations;
2. KA Properties Pty Ltd – owner of the property on which Killarney Abattoir previously traded from (Border Road, Killarney QLD);

3. Wycove Pty Ltd – owner of the property on which Pittsworth Food Processors previously traded from (Boundary Road, Pittsworth QLD);
4. CRM Properties Pty Ltd – owner of the property on which CRM Wholesalers Pty Ltd previously traded from (146 Wickhams Road, Elbow Valley QLD);
5. Zaron Pty Ltd – operates 5 butchery outlets throughout Queensland.

Trading history

The Company was in the business of killing livestock for both the LPG and external customers. LPG livestock once killed at either the Killarney Abattoir or Pittsworth Food Processors was then sold through the respective wholesale divisions or CRM. Killarney Abattoir processed meat products from cattle, goats, lambs, rams and pigs. All processed goods were distributed through the Company's wholesale operation to other meat wholesalers or retail butcher shops.

Killarney Abattoir also provided supplementary operations such as rendering and offal.

The Company recorded a net loss of \$1.7m in the 2009 financial year with the wholesaling division incurring a net loss of \$2m for this period.

On 1 March 2010, the director placed the Company into Voluntary Administration.

Reasons for failure

Likely reasons for the failure of the Company are as follows:

- Substantial ongoing trading losses and limited working capital to fund such losses;
- Bad debt of approximately \$370,855 from Prestons Fresh Meats Pty Ltd
- Poor strategic management of the business;
- Continued operating losses from the wholesaling division due to poor/negative sales margins;
- Poor management including debtor management;
- Poor strategic management of business; and
- Under capitalisation.

5 Financial Statements and Performance

- The Company recorded a loss of \$1,272,677 for the 8 months ended 28 February 2010 (FY 2010).
- The balance sheet as at 28 February 2010 detailed a negative net asset position of \$7,379,488.

Trading profit and loss statements

Management have provided un-audited financial statements for FY 2008 and un-audited management accounts for FY 2009 and for the 8 months ended 28 February 2010 (FY 2010). Creditors should note that the Voluntary Administrators are unable to provide any assurance as to the accuracy or reliability of these accounts.

Profit and loss statement - summary

A schedule summarising these accounts is provided below.

Description	FY 2008	FY 2009	1 July 2009 to 28 Feb 2010
	\$	\$	\$
Sales			
- Wholesale	5,541,096	28,980,554	16,844,791
- Killfloor	1,855,089	7,000,907	3,715,490
- Rendering	931,962	3,280,716	1,775,353
- Boning Room	397,861	1,652,885	932,136
- Hide	611,720	2,013,609	508,289
- Offal	199,783	705,559	346,223
- Skin Salting	188,307	651,816	237,460
- Other	31,049	-	-
Total Sales	9,756,867	44,286,046	24,359,742
COGS*	(6,599,127)	(32,487,109)	(17,484,849)
Gross Profit	3,157,740	11,798,937	6,874,893
Gross Profit (%)	32.4%	26.6%	28.2%
Other income	192,287	419,484	285,927
General expenses	(1,043,768)	(5,992,186)	(3,300,694)
Employee expenses	(2,308,154)	(8,393,642)	(5,132,803)
Net Profit	(1,895)	(2,167,407)	(1,272,677)

Note:

*COGS – Cost of goods sold

We now comment briefly below on the key income and expense items making comparisons where applicable between the 2009 and 2010 financial years.

Sales

The adjacent table indicates that sales declined by \$19,926,304 from \$44,286,046 for the year ended 30 June 2009 to \$24,359,742 for the 8 months ended 28 February 2010. This is a pro-rata reduction of 17%.

On a divisional basis, sales decreased by at least 42% across all business lines in the FY 2010 when compared to the FY 2009.

COGS

COGS decreased from \$32,487,109 for the year ended June 2010 to \$17,484,849 for the 8 months ended 28 February 2010. This is expected given the decline in sales over the same period.

As a percentage of sales, the Company's COGS remained constant between the 2009 and 2010 financial years.

Gross profit

Despite the Company's gross profit decreasing by \$4,924,044 from FY 2009 to FY 2010, the gross profit percentage increased from 26.6% to 28.2% over the same period.

Other income

Other income mainly consisted of rebates, insurance refunds, unallocated sales and sundry income.

Expenses

As expected, given the decrease in sales, the Company's general (non employee) expenses decreased by \$2,691,492 from FY 2009 to the 8 months ended 28 February 2010. As a percentage, expenses remained constant at 13.5% of sales.

Employee expenses, as a percentage of sales, increased by 2% from FY 2009 to FY 2010.

Net profit/loss

The Company's performance improved with net losses of \$1,272,677 being recorded for the 8 months ended 28 February 2010 compared with \$2,167,407 recorded in the year ended 30 June 2009.

Profit and loss statements – By Division

Below is a summary of the trading performance for the Company by division for the period 1 July 2009 to 28 February 2010.

	Large Stock	Small Stock	Wholesale	Admin	Rendering	Boning	Maintenance	Skin Salting	Total
Sales	2,286,552	2,284,773	16,815,384	1,440	1,775,353	958,781	-	237,459	24,359,742
COGS	(762,410)	3,465	(16,344,318)	(272)	(378,678)	6,087	-	(8,723)	(17,484,849)
Gross Profit	1,524,142	2,288,238	471,066	1,168	1,396,675	964,868	-	228,736	6,874,893
Other Income	-	1	56,573	228,527	-	826	-	-	285,927
General Expenses	(295,588)	(251,435)	(995,496)	(717,464)	(489,578)	(376,051)	(84,507)	(90,575)	(3,300,694)
Employee Expenses	(1,298,566)	(1,505,666)	(95,282)	(569,581)	(413,738)	(605,029)	(528,443)	(116,498)	(5,132,803)
Net Profit	(70,012)	531,138	(563,139)	(1,057,350)	493,359	(15,386)	(612,950)	21,663	(1,272,677)

Balance Sheets

The table below summarises the Company's (trusts) Balance Sheets as at 30 June 2008 (audited), 30 June 2009 (un-audited) and as at 28 February 2010 (un-audited).

	As at 30 June 2008	As at 30 June 2009	As at 28 Feb 2010
Current Assets	\$	\$	\$
Cash at Bank/On Hand	197,727	1,174	5,016
Accounts Receivable	1,721,191	3,119,210	2,207,874
Trust Entitlements	160,102	-	-
Related Party Loans	308,332	133,410	133,705
Inventories	842,666	1,187,306	941,934
Other - Tax Credits	434,890	-	-
Total Current Assets	3,664,908	4,441,100	3,288,529
Non Current Assets			
Plant & Equipment	-	150,492	150,492
Motor Vehicles	-	270	270
Goodwill	199,025	199,025	199,025
Other	1,032	-	-
Total Non Current Assets	200,057	349,787	349,787
Total Assets	3,864,965	4,790,887	3,638,316
Current Liabilities			
Accounts Payable	(1,525,194)	(5,315,300)	(5,854,035)
Employee provisions	(649,456)	(506,693)	(688,859)
Overdraft	-	(141,819)	-
Loans	(1,569,700)	(950,701)	(1,200,201)
Other	(122,500)	(29,509)	1,112,621
Total Current Liabilities	(3,866,850)	(6,944,022)	(6,630,474)
Non Current Liabilities	(3,866,850)	(6,944,022)	(6,630,474)
Total Liabilities	(3,866,850)	(6,944,022)	(6,630,474)
Net Assets	(1,885)	(2,153,135)	(2,992,158)

Equity	As at 30 June 2008	As at 30 June 2009	As at 28 Feb 2010
Settlement Sum	10	10	10
Prior year profit/(loss)		14,274	(2,153,137)
Current year profit/(loss)	(1,895)	(2,167,407)	(1,272,677)
Suspense	-	-	(5,552)
Net equity	(1,885)	(2,153,123)	(3,431,356)
Difference in accounts		(12)	439,198

The balance sheets as at 30 June 2009 and as at 28 February 2010 do not reconcile to the extent of \$12 and \$439,198 respectively.

We comment briefly below on the key asset and liability items.

Accounts receivable

Company records identify accounts receivable as at the date of appointment of \$2,207,874.

Debtor listings obtained from Company records however identify outstanding debtors as at 28 February 2010 of \$2,239,089, broken up as follows:

	As at 28 Feb 2010	Amount Realised	Balance	ERV High	ERV Low
Related Party Debtors	279,394	-	279,394	-	-
Non-Related Debtors	1,959,695	261,980	1,697,714	1,260,970	700,000
Total	2,239,089	261,980	1,977,108	1,260,970	700,000

Note:

ERV – Estimated realisable value

3 non-related debtors with total debts outstanding of \$436,744 as at 1 March 2010 are in external administration. We are currently determining whether a dividend will be paid in these administrations. For the purposes of this report we have assumed

that no dividend will be received and that these debts will need to be written off.

Approximately \$261,980 of the outstanding debtors of \$2,239,089 have been collected since the date of this report, being 1 April 2010.

Letters of demand have been written to the majority of these debtors, and if required, legal action will be taken should payment not be received.

Inventory

The inventory balance had decreased from \$1,187,306 in June 2009 to \$941,934 as at 28 February 2010.

On appointment no inventories (stock) was present. Preliminary investigations indicate that due to the balance sheet being un-reconciled, the recorded book value for stock may be incorrect. Investigations to date have been conducted in respect to the transfer of stock, however no evidence of any transfer is apparent. If creditors are aware of anything to the contrary, we urge them to contact this office.

Motor vehicles and plant and equipment

Plant and equipment and motor vehicles have a book value of \$150,492 and \$270 respectively. We are currently awaiting a valuation on the assets of the Company, however given the minimal assets we do not anticipate that they will have a material value.

Other assets

Other assets, with a book value of \$332,435, consist of goodwill and a loan to Tawview of \$199,025 and \$133,705, respectively. As the Company is no longer trading and it is unlikely that a dividend will be payable in the administration of Tawview, we estimate that these assets have little or no realisable value.

Accounts payable

The accounts payable balance has increased throughout the period reviewed from \$5,315,300 at 30 June 2009 to \$5,854,035 as at 28 February 2010.

During this same period the creditor days ratio, being an indicator on the average days a creditor remains unpaid, increased from 38.43 days as at 30 June 2009 to 116.58 days as at 1 March 2010.

Loan – Bank

As detailed in **Section 3** of this report, Rural Bank Ltd, holds a registered fixed and floating charge over the Company and is estimated to be owed from all related parties approximately \$32 million.

Other current liabilities

Other current liabilities of negative \$533,992 consist of the following:

- Various unallocated transactions in clearing accounts (which may contribute to the un-reconciled balance sheet as at 28 February 2010); and
- Taxation provisions/liabilities.

This account is reflected as a negative (asset account) balance mainly due to the following:

1. A negative balance workers compensation clearing account of \$288,473. WorkCover Queensland has advised that the company had under reported its superannuation and accordingly no refund is due to the Company in respect to workers compensation insurance.
2. A negative balance in respect to taxation related accounts of \$613,110. Based on Company records, a BAS (GST and PAYG) refund may be due to the Company of \$613,110.

We note however that all BAS's have been lodged by the Company with the exclusion of the December 2009 quarter and for the period 1 January 2010 to 28 February 2010. As management has estimated that a BAS refund of approximately \$30,000 is due for the December quarter, it is unlikely that a BAS refund to the extent of \$613,110 will eventuate for the period 1 January 2010 to 28 February 2010.

Further investigations are being conducted including the possibility of having the Company's accounts reconciled to a point that will clarify whether a GST refund is due to the Company.

Non current liabilities

The non current liabilities balance relates to the non-current component of a loan to Dragonlyn. This is discussed in further detail later in **Section 7** of this report.

Summary

The Company has failed to make a profit since commencing operations 2 years ago.

During the 2009 financial year, the wholesaling division incurred a net loss and contributed \$1,990,876 to the Company's overall net loss of \$1,689,771 in that financial year. This trend continued in FY 2010 with, the wholesaling division incurring a net loss, contributing \$563,139 to the Company's overall net loss of \$1,272,677.

In light of the increasing debtor days, cash flow was tight and the Company did not have sufficient working capital available to fund the ongoing losses.

6 Statement of Current Position

- To date, the Director has not provided us with a Statement of Current Position on the Company.
- It is estimated that there will be no return to unsecured creditors.

Statement of Current Position

The Director of a Company in Voluntary Administration is required by the Act to prepare a Statement of Current Position ("SOCP"). The SOCP is a snapshot in time of the assets and liabilities position of the Company, disclosing book values and the estimated realisable value for assets.

As at the date of this report, we had not been provided with a SOCP for the Company, despite requesting same. However, below is a summary of the SOCP prepared from the books and record of the Company with our estimated realisable values for each class of asset and liability.

Description	Book value	Estimated realisable value
	\$	\$
Cash on hand	100	100
Cash at bank	104,759	104,759
Stock on hand	941,934	-
Debtors	2,239,088	1,522,951
Motor vehicles	168,795	Unknown
Loan - Pittsworth Food Processors	133,705	-
Plant and equipment	150,492	Unknown
Total Assets	3,738,873	1,627,810
Priority creditors	(1,280,730)	(1,704,786)
Secured creditor	(32,000,000)	(32,000,000)
Total	(33,280,730)	(33,704,786)
Surplus/(Deficit) in assets before the claims of unsecured creditors	(29,541,857)	(32,076,976)
Unsecured creditors	(3,451,209)	(4,960,488)
Surplus/(Deficit) before realisation and administration costs	(32,993,066)	(37,037,464)

ASSETS

Interests in Land

The Company had no interests in land.

Cash on hand

This relates to the petty cash float maintained by the Company.

Cash at bank

As at our appointment the Company maintained a Westpac bank account with a balance of \$104,759.

Upon appointment these accounts were frozen. All funds have been subsequently transferred to the Administrators' bank account.

Also upon our appointment, we have written to all other major banking institutions in Australia and can confirm no other accounts are held in these banks or credit unions.

Debtors

We have included an amount of \$1,522,951 as realisable in relation to the outstanding debtors of the Company. As detailed in **Section 5** of this report, the debtors' ledger as at our appointment date totalled \$2,239,088. The reason for the variance is primarily due to:

- 1. Prestons Fresh Meats Pty Ltd (In Liquidation) (\$370,855)**

Prestons Fresh Meats Pty Ltd is in liquidation and it is estimated that there will not be a return to unsecured

creditors. Accordingly this is not expected to be recoverable.

2. CRM Wholesales Pty Ltd (Administrators Appointed) (\$209,620)

CRM Wholesalers Pty Ltd is in Voluntary Administration and it is estimated that there will not be a return to unsecured creditors. Accordingly this is not expected to be recoverable.

3. Tawview Pty Ltd (Administrators Appointed) (\$69,774)

Tawview Pty Ltd is in Voluntary Administration and it is estimated that there will not be a return to unsecured creditors. Accordingly this is not expected to be recoverable.

Other than the above, the majority of remaining debts are considered to be collectable, however it is noted that a large number of debtors have entered into repayment plans due to financial difficulties and therefore recovery of these debts may take in excess of 90 days to recover.

Stock

The Company accounts show the book value of inventory as \$914,934. This included fuel, hay, steel and other consumables as well as broken meat and carcasses.

Upon appointment, the Abattoir did not hold any broken meat or carcasses in stock. The Company was in possession of an unrelated

entities meat for processing. This meat was ultimately returned to its owner.

Loan – Tawview Pty Ltd (Administrators Appointed) \$133,705

As mentioned above, Tawview Pty Ltd is in Voluntary Administration and it is estimated that there will not be a return to unsecured creditors. Accordingly this is not expected to be recoverable.

Plant and Equipment

The Company records disclose that the plant and equipment has a book value of \$150,492.

Upon appointment we engaged independent valuers to undertake a valuation of all the assets of the Company however we are still awaiting the finalisation of this report. Given the limited assets of the Company, we believe that the realisable value will be significantly less than \$150,492.

Other Assets

The Company had no other assets of which we are aware.

Secured creditors

The secured creditor, Rural Bank Ltd, has lodged a proof of debt in the amount of approximately \$32 million.

Rural Bank is owed approximately \$32 million pursuant to guarantees provided by the Company in respect of borrowings made by other entities within the Leitch Pastoral Group.

As detailed in **Section 3** of this report, the secured creditor has a registered fixed and floating charge over the Company and its assets.

Priority creditors

The Company's accounts as at 1 March 2010 show an amount of \$1,280,730 is owed to priority creditors in relation to employee entitlements. This consists of an amount of \$391,545 relating to annual leave, \$245,333 wage entitlements and \$643,850 relating to retrenchment entitlements.

Pursuant to Section 556 of the Act, excluded employees are limited to rank as priority creditors for \$2,000 in respect of wages and superannuation and \$1,500 for leave entitlements. Section 556(2)(a) defines excluded employees as:

“An employee of the Company who has been at any time during the period of 12 months ending on the relevant date, or who is, a director of the Company”

Section 566(2)(b) and (c) goes on to include a spouse or a relative of an employee referred to in paragraph (a) as being classified as excluded employees.

Following our appointment, we calculated the outstanding employee entitlements position of the Company and note that no wages appear outstanding at this time. The table opposite summarises our findings:

Employee Entitlements	\$
Annual Leave (incl. applicable leave loading)	227,639
Long Service Leave	205,382
PILN	287,615
Redundancy	706,873
Superannuation	277,277
Total	1,704,786

The majority of staff had been stood down 3-4 weeks prior to our appointment and were subsequently terminated on 3 March 2010 with the exception of 5 staff members who has been kept on to assist the Administrators.

Unsecured creditors

Company records disclose the amounts owing to unsecured creditors as \$3,451,209 (including \$1,468,073 of related party claims). At the time of this report, we have received proofs of debt from unsecured creditors totalling \$3,897,427. Of the proofs of debts received \$1,638,369 were from non-related entities.

We have received 3 proofs of debt in the sum of \$1,812,840 from director related parties. I have summarised these proofs of debt as follows:

Creditor	Relationship to KA Operations	\$
Tawview Pty Ltd (Administrators Appointed)	Common director	275,327
CRM Wholesalers Pty Ltd (Administrators Appointed)	Common director	381,812
Dragonlyn Pty Ltd	Common director	1,155,701
Total		1,812,840

Winding Up Applications Filed

To date, there have been no applications filed by creditors to wind up the Company.

7 Antecedent Transactions

- We believe that the Company may have been insolvent from 30 June 2009.
- We have identified possible preferences and uncommercial transactions in the amount of \$1,186,747. These transactions are to be further investigated should the Company be placed into liquidation.

Antecedent transactions recoverable by a Liquidator

In accordance with Regulation 5.3.A.02, the Administrator of a company under administration, in setting out his or her opinions in a statement mentioned in paragraph 439A (4)(b) of the Act, must specify whether there are any transactions that appear to the Administrator to be voidable transactions in respect of which money, property or other benefits may be recoverable by a Liquidator under Part 5.7B of the Act.

The administration process set down in Part 5.3A of the Act, provides a very short time within which to conduct investigations into potential recoveries from voidable transactions. At this stage, due to the short time frame allowed, it is difficult to definitively identify the likely causes of action and / or recoveries that may be available to a Liquidator. Such conclusions would usually be made after more detailed investigations have been undertaken. Such investigations would normally include:

- Detailed review of documentation produced by relevant parties upon enquiry by a Liquidator / Administrator.
- The public examination under oath, of relevant parties regarding the transactions concerned.

Accordingly, whilst we have conducted the necessary enquiries required of an Administrator, the conclusions drawn herein with respect to our investigations into the Company's affairs should be viewed as preliminary and may be confirmed, or otherwise, by way of other sources of investigation should the Company proceed to liquidation.

The transactions generally fall into two categories, being insolvent trading and voidable transactions (comprising unfair preferences, uncommercial transactions and unfair loans).

Voidable transactions

Pursuant to Section 588FA and the associated provisions of the Act, a Liquidator is able to recover from creditors any payments preferences or advantages obtained by the creditor from the Company.

Unfair preferences

Those payments referred to are generally recoverable if the payments were made during a period of six months prior to the commencement of the winding up date, or the date the Voluntary Administrators were appointed (otherwise known as the "relation back date"), which in this case would be the period 31 August 2009 to 1 March 2010.

We have examined payments made to creditors during the last 6 months and it appears the Company has made payments to 17 creditors totalling \$846,747, which may constitute unfair preferences. That is, they have received more than they would have if the payment of their debt was set aside and they were to prove for their debt in the winding up of the Company.

To constitute an unfair preference payment, it must be proven that the creditor had a suspicion or ought to have had a suspicion that the Company was insolvent. The following factors can be demonstrative of that suspicion:

- Prior failed repayment arrangements;
- Payment(s) outside of normal trading terms;
- Resorting to legal actions to recover the debts;
- Receipt of post-dated cheques following the commencement of legal proceedings;
- Demands for clearance of the debt unrelated to a promise to recommence supply; and
- The seeking of additional security from third parties to secure the debt.

Our preliminary investigations have revealed that the following potential unfair preferences could be recoverable by a Liquidator:

Supplier	Number	\$
Related parties	1	88,486
Trade creditors	16	758,260
Total	17	846,747

Should a Liquidator be appointed a more detailed investigation would be undertaken and creditors should note that any funds recovered, would be diluted by the fact that the individual creditor who may be forced to disgorge the amounts would be able to prove for those amounts in the liquidation.

Uncommercial transactions

Section 588FB(1) of the Act defines an uncommercial transaction as “ a transaction of the company if, and only if, it may be expected that a reasonable person in the company’s circumstances would not have entered into the transaction, having regard to:

- (a) The benefits (if any) to the company of entering into the transaction;
- (b) The detriment to the company of entering into the transaction; and
- (c) The respective benefits to other parties to the transaction.”

Section 588FC of the Act defines an insolvent transaction as one which is an uncommercial transaction and entered into when the company was insolvent at the time of the transaction, or would become insolvent as a result of entering into the transaction.

On 24 February 2010, a transfer of \$340,000 was debited from the Company’s pre-appointment Westpac account. We have requested further information from the Director to identify the recipient of these funds however no formal response has been received to date. It is anticipated that the recipient will be a related entity. As we are unaware as to the recipient of these funds we are unable to confirm whether this may be a preferential payment (if made to a creditor of the Company) or an uncommercial transaction. For the purposes of this report, and as we are unaware as to whether the recipient is a creditor of the Company, we have identified this transaction as a possible uncommercial transaction.

A Liquidator would also conduct a more detailed investigation into all transactions that occurred in the period up to two years prior to the relation back date.

Insolvent trading

In order to ascertain if these transactions, and any others, were uncommercial a Liquidator must determine whether the Company

was insolvent at the date of the transaction, or became insolvent as a result of the transaction.

Having established the likely date the Company became insolvent, a Liquidator can investigate whether the Director (and the previous Director) incurred debts at a time when they suspected or should have suspected the Company was insolvent (**insolvent trading**). There is a specific requirement under the Act that director must take action to avoid insolvent trading. If it is proven that there were any breaches of the Act by the director/s for insolvent trading, then the director/s can be held personally liable for any additional debts incurred whilst the Company traded whilst insolvent.

Pursuant to Sections 588G and 588M of the Act, a Liquidator may seek to recover from the director/s of the company any debt incurred by the company after a time that a reasonable person would suspect that the company could not pay its debts as and when they fell due i.e. after the date it became insolvent.

Insolvent trading is governed by section 588G(1) of the Act and applies if:

- (a) A person is a director at the time the debt is incurred; and
- (b) The company is insolvent at that time; and
- (c) At that time, there are reasonable grounds for suspecting that the company is insolvent.

This section is breached if:

- (a) The person is aware at that time that there are grounds for

suspecting insolvency; or

- (b) A reasonable person in a like position in a company in the company's circumstances would be aware of suspecting insolvency.

For there to be a breach of these provisions, the company had to be insolvent at the time the debt was incurred. The Courts have held that insolvency is the inability to pay the company's debts as and when they fall due, although it has been held that cash flow shortages or problems are not evidence of the inability to pay debts as and when they fall due.

Director of such a corporation have several defences available to them as detailed in section 588H of the Act, as follows:

- (a) If it is proved that, at the time the credit was incurred, the person had reasonable grounds to expect, and did expect, that the company was solvent at that time and would remain solvent.
- (b) If the person relied on another person to provide the financial information so that if the information was relied upon, the company was solvent and would remain so.
- (c) The person was ill and did not take part in the management of the company.
- (d) The person took reasonable steps to prevent the company from incurring the debt.

Based on our initial investigations, the Company may have been insolvent from as early as 30 June 2009 due to the following:

- Substantial losses occurred in FY 2009;

- The Company's working capital ratio decreased from 0.95 as at 30 June 2008 to 0.64 as at 30 June 2009 indicating that the Company's current assets were insufficient to meet its current liabilities;
- The quantum of creditors increased between July 2008 to July 2009 from \$1,525,194 to \$5,315,300 (including related party debts of \$2,832,148); and
- As supply from key creditors had reduced it was necessary for related parties to inject cash and stock. Around this time, a larger percentage of livestock that was processed came from related parties when compared to cash that was injected.

Whilst our investigations indicate that the Company may have been insolvent since June 2009, it may be contended that it was solvent as it was able to rely upon financial support from related entities in the LPG Group. There is evidence to support that from the period from 30 June 2009 to my appointment, related entities contributed substantial livestock and cash to assist in the trading of this business.

To determine an exact date the Company became insolvent, a Liquidator would need to determine at what point the Director did not have, or it was likely that he would know that he would not have access to additional funds.

Quantum of potential Insolvent Trading Claim(s)

The Company records show \$4.3 million in trade creditors

(discloses on an accounts payable list) were outstanding as at 1 March 2010, \$1.1 million was owed to related parties, leaving \$3.2 million owing to non-related parties. Of this amount outstanding, approximately \$407,000 was outstanding as at 30 June 2009. Accordingly, we estimate a claim for continuing to trade whilst insolvent may exist of up to \$2.8 million. *(We note that due to the Company's accounts being un-reconciled for the FY 2010, creditors listed on the balance sheet does not equal accounts payable lists provided from the same accounting program).*

Although a claim for insolvent trading may exist, the date of the Company's actual insolvency is not conclusive and the Directors may have a valid defence to any claim initiated. The director did contribute significant cash and livestock into the business. To establish any claim against the director, a Liquidator would be required to determine if and when the Director knew, or a reasonable person in his shoes ought to have known that the Company was insolvent. In this case, that point appears to be when the director's access to funds and or livestock was reduced to a point that the funds and or livestock would not meet the debts of the business as and when they fell due.

Further to the above, the ability of the Director to meet any successful claim will need to be assessed prior to any action being commenced.

Books and records

Sections 588E(3) and 588E(4) of the Act provides a presumption of insolvency for a period of 12 months from the relation back date if it is proved that the company failed to keep proper financial records in accordance with Section 286 of the Act.

A Liquidator would investigate whether the company maintained adequate books and records that provided reliable reports to the director relating to the monthly financial position of the company. During the limited time available to us to undertake investigations, we believe that adequate books and records were maintained and that adequate reports were produced. Our opinion is premised upon the fact that the company was able to provide us with reasonably updated financial statements.

A Liquidator would further investigate whether the company maintained adequate books and records in accordance with Section 286 of the Act.

Accordingly, in the event that a Liquidator was successful in establishing that the books and records were indeed deficient, this would assist in considering whether any action might be taken against the director of the company in accordance with the Act.

The records provided to us included:

1. Cheque butts and deposit books;
2. Bank statements;
3. Management accounts (FY 2009, FY 2010);
4. Financial statements (FY 2008); and
5. Debtor records including statements and invoices.

It is our opinion that whilst the records do not appear to be reconciled for the FY 2010, it appears that this may be the result of inefficiencies in the accounting program used. Accordingly, we do not believe that the officers of KA Operations Pty Ltd have

committed offences in relation to the maintenance of proper books and records for the Company pursuant to Sections 286 and 591 of the Act.

Summary

- We believe that the Company may have become insolvent from as early as 30 June 2009.
- We have identified possible preference and uncommercial transactions claims totalling \$1,186,747.
- An insolvent trading action against the Director (and former Director) may be possible following further investigation into the Company's trading history. However, on a cost-benefit analysis, creditors should be aware that the costs of litigation and the extensive time taken in reaching a successful outcome might not be in the best interests of creditors.

Personal Financial Position of the Director

Our investigations have revealed that the Director of the Company may have limited assets in their personal estates and further, have provided guarantees to creditors including the secured creditor of the Company, Rural Bank. These guarantees are secured by way of mortgages over personal properties and it is our understanding that may be limited equity in these properties.

Therefore, even if an action against the Director for insolvent trading, etc was successful, it is likely that the Director may either have minimal assets available to meet such a claim or that there will be other material claims against the Director which will reduce his capacity to meet such a claim.

Director' Personal Liability for Employee Entitlements

A director may be ordered to pay compensation if agreements or transactions were entered into with the intention of avoiding payment of employee entitlements or reducing the amount of entitlements that can be recovered.

No transactions or agreements of this nature were discovered.

Director Related Transactions

Payments, the issue of securities, conveyances or other dispositions of property by the Company in favour of a director, a relative or de facto spouse of a director may constitute an unreasonable director related transaction.

No transactions of this nature were discovered.

Enforceability of Floating Charges

If the Company proceeds to liquidation, under section 588FJ of the Act, a floating charge registered within 6 months of the date of appointment of the Administrators, that is 1 March 2010, is void as against a Liquidator except so far as the charge secured an advance paid to the Company, or at its direction, at or after the charge is registered and as a consideration for the charge.

As advised earlier in this report, a fixed and floating charge was registered over the Company more than six months prior to our appointment. Therefore, the charge would not be void against a Liquidator.

8 Estimated Outcome Statement and Recommendation

- Priority creditors are estimated to receive between 48 and 77 cents in the dollar.
- It is estimated that the secured creditor, Rural Bank, will not receive a return in this administration pursuant to its floating charge.
- It is unlikely that unsecured creditors will receive a dividend in this administration unless there are Liquidator recoveries from antecedent transactions.

Neither the Director nor any other party has formally proposed a DOCA nor have we been advised of intention of the Director to do so. Should the DOCA proposal be received prior to the second meeting of creditors, we shall seek the adjournment of the meeting for a period of up to 45 business days to enable the Voluntary Administrators to review the terms of any proposed DOCA and provide a recommendation to creditors.

In light of the fact that no DOCA proposal has been received, we have prepared the attached analysis (attached as **Annexure B**), which details the estimated range of return to creditors in a liquidation scenario. Set out below is a summary of that analysis.

	High	Low
Creditor Class		
Priority	77 cents	48 cents
Unsecured	Nil	Nil

* The return to unsecured creditors is unknown at this stage as this will depend upon on the quantum of any voidable transactions that are recovered. We estimate that if Liquidators recoveries are successful in full, unsecured creditors may receive a dividend of up to 9 cents in the dollar.

Included in the above is an estimate of the costs of the Liquidators should the Company proceed to liquidation. The basis on which remuneration would be sought by the Liquidators would be on a time cost basis with hourly rates being applied to the hours worked plus any applicable GST on the fee.

At the time of drafting this report, the Voluntary Administrators have received proof of debts from unsecured creditors totalling

\$3,897,427. Of this balance, \$1,812,839 has been received from related parties.

Summary of Receipts and Payments

Please find attached as **Annexure C** to this report, a Summary of the Receipts and Payments of the administration for the period 1 March 2010 to 30 March 2010.

Conclusion

- Priority creditors (Employees) are expected to receive between 48 and 77 cents in the dollar
- The secured creditor, Rural Bank, will not receive a return pursuant to its floating charge.
- The return to unsecured creditors is unknown at this stage as this will depend upon on the quantum of any voidable transactions that are recovered. We estimate that if Liquidators recoveries are successful in full, unsecured creditors may receive a dividend of up to 9 cents in the dollar.

9 Administrators' Statement

- Based on the options available to creditors we consider that it is in the best interest of creditors to wind the Company up.

Pursuant to Section 439A(4)(d) of the Act, the Voluntary Administrators are required to express an opinion whether it would be in the best interests of creditors of the Company that:

The Company execute a DOCA

As no Deed of Company Arrangement has been proposed, this option is not available to creditors.

End of the administration

Should creditors resolve to end the administration, the Company will be placed in a similar position to that which existed prior to our appointment (ie as if the administration did not occur). Creditors would then have the option of pursuing their usual recovery actions against the Company such as court actions to obtain judgments, warrants of execution or even winding up the Company. As the Company is insolvent, we do not believe there would be any benefit to creditors in ending the administration.

We do not believe that it will be in the best interests of creditors for the administration to end. As stated in the report the Company has substantial outstanding debts and the Company is insolvent.

Accordingly, the return of control of the Company to the Director without the protection of a DOCA is not satisfactory for unsecured creditors and is therefore not an option.

The Company be wound up

Should creditors resolve to wind up the Company, the Company will be placed into liquidation that day. A Liquidator is required to realise Company property and distribute the proceeds to creditors

in accordance with the priorities detailed in the Act. A Liquidator is also required to undertake further investigation into the Company's prior activities and the conduct of its director.

As detailed in **Section 7** of this report, the Company may have been insolvent from at least 30 June 2009.

I believe it to be in the best interest of creditors that the Company be wound up.

The meeting be adjourned

We do not believe there is any reason to adjourn the meeting. If circumstances arise i.e. the Director proposes a DOCA, we may recommend to creditors at the second meeting of creditors an adjournment of the meeting for up to 45 business days to allow the Voluntary Administrators to assess the proposal.

Conclusion

Based on the options available to creditors we consider that it is in the best interest of creditors that **the Company be wound up.**

10 Remuneration

- The Administrators' remuneration for the period 1 March 2010 to 31 March 2010 is estimated at \$70,928.50.
- The Administrators' remuneration for the period 1 April 2010 to 13 April 2010 is estimated at \$15,000.
- Should the Company be placed into liquidation, the Liquidators' remuneration is estimated at \$60,000.

Administrators' remuneration

In order for the Voluntary Administrators to receive remuneration, such remuneration is to be approved by creditors.

Costs Approved to Date

As at the date of this report, no remuneration has been approved by creditors as the upcoming meeting of creditors is the first opportunity for creditors to approve remuneration.

In accordance with the Code of Practice issued by the IPA, please find enclosed an IPA Creditor Information Sheet (as **Annexure C**) providing information on approval of remuneration.

Remuneration to be Approved

At the forthcoming meeting of creditors on 13 April 2010, creditors will be requested to approve remuneration. Below is an estimate of same:

Period	Amount \$
Voluntary Administration – work to date	70,928.50
Voluntary Administration – future work to be completed	15,000.00
Liquidation – future work to be completed	60,000.00
Total	\$145,928.50

Remuneration to be Approved – Work to Date

At the meeting, creditors will be requested to approve remuneration for work undertaken from 1 March 2010 to 13 April 2010.

Detailed information on the calculation of remuneration is provided in the attached “Remuneration Report” at **Annexure D**

& Annexure E. These reports are titled “Remuneration Report - Description of Work Completed (VA)” and “Remuneration Report – Description of Work to be Completed (VA)” respectively.

Remuneration to be Approved – Future Work

It will be necessary for creditors to approve the drawing of remuneration for the period of liquidation or deed administration (whichever is agreed to by creditors). The remuneration to be approved will be calculated on a time basis by applying the hours worked on the administration by the applicable charge out rate for the person involved.

Remuneration to be Approved – Future Work of the Liquidator(s)

Should the Company be placed into liquidation, creditors would need to approve the drawing of the liquidators' remuneration. As indicated in the return to creditors estimate, we estimate the remuneration under liquidation to be up to \$60,000 plus GST.

Remuneration will be drawn on a periodic basis from the funds available to the Liquidator(s) from the Company's assets. There is no indemnity provided by any third party for remuneration or liabilities.

Detailed information on the calculation of remuneration including a breakdown of the expected work to be undertaken during the liquidation is provided in the attached “Remuneration Report - Description of Work To Be Completed (Liquidation) at **Annexure F**.

Staffing of Administration

The Administrators' staff team is structured such that tasks are completed by staff with the appropriate level of experience.

11 Meeting of Creditors

- The meeting of creditors will be held at the offices of Grant Thornton Chartered Accountants, Ground Floor, Grant Thornton House, 102 Adelaide Street, Brisbane QLD 4000 on Tuesday, 13 April 2010 at 3.00pm.

Proxies lodged for the previous meeting are not valid for this meeting and therefore, fresh proxies and informal proofs of debt need to be lodged to enable creditors to vote at the second meeting. Please ensure that the proxies are signed under seal, where appropriate (if you are a company) and if the proxy is executed by a power of attorney, that a copy of the power of attorney is enclosed with the proxy form.

Proofs of debts lodged for the previous meeting are valid for this meeting. Proofs of debts need only be lodged if creditors have not previously done so.

Proxies for the meeting can be lodged in the following ways:

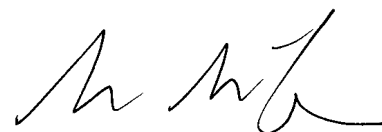
- by post to arrive prior to the meeting;
- by facsimile to **(07) 3222 0446** prior to the meeting;
- by person with a person attending the meeting; or
- by email to info.qld@grantthornton.com.au **at least 2 hours prior** to the meeting.

If proxies are lodged by facsimile or email, the law requires that the original proxy must be lodged with the Voluntary Administrators within 72 hours of lodging the faxed or emailed copy.

If you are attending the meeting, it would be appreciated if you could arrive at the meeting venue at least 15 minutes before the scheduled commencement time to allow for the registration of attendees.

Should you wish to discuss this report further, please contact Ms Heile Hofheins of this office on (07) 3222 0243.

Yours faithfully



M G McCANN
Administrator

Annexure A

Estimated Return to Creditors

KA Operations Pty Ltd (Administrators Appointed)
Estimated Outcome Statement

	Liquidation Optimistic Scenario (\$)	Liquidation Pessimistic Scenario (\$)
Floating Charge Asset Realisations		
Cash at Bank	337,160	337,160
Accounts Receivable (Pre-appointment)	1,260,970	600,000
Total Floating Charge Assets Available	1,598,130	937,160
Administration Costs		
Voluntary Administrators Fees as at 31 March 2010	(78,021)	(78,021)
Estimated Voluntary Administrators Fees from 1 April 2010 to 13 April 2010	(15,000)	(15,000)
Estimated Voluntary Administrators Outlays	(15,000)	(20,000)
Estimated Voluntary Administrators Legal Fees	(5,000)	(5,000)
Total Administration Costs	(113,021)	(118,021)
Liquidation Costs		
Estimated Liquidators Fees	(50,000)	(60,000)
Estimated Liquidators Legal Fees	(80,000)	(30,000)
Estimated Liquidators Outlays	(30,000)	(45,000)
Total Liquidation Costs	(160,000)	(135,000)
Floating Charge Assets Available for Priority Creditors	1,325,109	819,139
Priority Employee Entitlements	(1,704,786)	(1,704,786)
Assets Available for Floating Charge Holders	-	-
Floating Charge Holder - Rural Bank Limited	(32,000,000)	(32,000,000)
Assets Available for Unsecured Creditors	-	-
Recoveries *		
Unfair Preference Payments	unknown	unknown
Uncommercial Transactions	unknown	unknown
Trading whilst insolvent	unknown	unknown
Total Recoveries	-	-
Total Distributable to Unsecured Creditors	-	-
Unsecured Creditors		
Trade Creditors	(3,994,356)	(3,994,356)
Related Party Loan Accounts	(2,152,840)	(2,152,840)
Shortfall to Secured Creditors	(32,000,000)	(32,000,000)
Total Unsecured Claims	(38,147,196)	(38,147,196)
TOTAL ESTIMATED SURPLUS/DEFICIENCY	(35,117,301)	(35,623,271)
Estimated Return to Unsecured Creditors	-	-

* based on preliminary investigations the estimated optimistic Liquidator's recoveries for unfair preferences/uncommercial transactions and insolvent trading may be \$1,186,747 and \$2,800,000 respectively. Should these recoveries be successful, the estimated return to priority (employees) and unsecured creditors may receive 100 and 9 cents in the dollar respectively.

Annexure B

Summary of Receipts and Payments

KA Operations Pty Ltd (Administrators Appointed)
Summary of Receipts and Payments for the period
1 March 2010 to 30 March 2010

Account	\$
Receipts	
Sales	5,182
Accounts Receivable (Pre-Appointment)	287,543
Cash at Bank	104,760
Total Receipts	397,484
Payments	
Legal fees	(1,779)
Security	(31,111)
Wages & Salaries	(18,592)
Bank Charges	(317)
Total Payments	(51,798)
Net Receipts and Payments	345,686

Annexure C

IPA Creditor Information Sheet



ASIC

Australian Securities & Investments Commission

INFORMATION SHEET 85

Approving fees: a guide for creditors

If a company is in financial difficulty, it can be put under the control of an independent external administrator.

This information sheet gives general information for creditors on the approval of an external administrator's fees in a liquidation of an insolvent company, voluntary administration or deed of company arrangement (other forms of external administration are not discussed in this information sheet). It outlines the rights that creditors have in the approval process.

Entitlement to fees and costs

A liquidator, voluntary administrator or deed administrator (i.e. an 'external administrator') is entitled to be:

- paid reasonable *fees*, or remuneration, for the work they perform, once these fees have been approved by a creditors' committee, creditors or a court, and
- reimbursed for out-of-pocket *costs* incurred in performing their role (these costs do not need creditors' committee, creditor or court approval).

External administrators are only entitled to an amount of fees that is reasonable for the work that they and their staff properly perform in the external administration. What is reasonable will depend on the type of external administration and the issues that need to be resolved. Some are straightforward, while others are more complex.

External administrators must undertake some tasks that may not directly benefit creditors. These include reporting potential breaches of the law and lodging a detailed listing of receipts and payments with ASIC every six months. The external administrator is entitled to be paid for completing these statutory tasks.

For more on the tasks involved, see ASIC's information sheets INFO 45 *Liquidation: a guide for creditors* and INFO 74 *Voluntary administration: a guide for creditors*.

Out-of-pocket costs that are commonly reimbursed include:

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances. You will need a qualified professional adviser to take into account your particular circumstances and to tell you how the law applies to you.

- legal fees
- valuer's, real estate agent's and auctioneer's fees
- stationery, photocopying, telephone and postage costs
- retrieval costs for recovering the company's computer records, and
- storage costs for the company's books and records.

Creditors have a direct interest in the level of fees and costs, as the external administrator will, generally, be paid from the company's available assets before any payments to creditors. If there are not enough assets, the external administrator may have arranged for a third party to pay any shortfall. As a creditor, you should receive details of such an arrangement. If there are not enough assets to pay the fees and costs, and there is no third party payment arrangement, any shortfall is not paid.

Who may approve fees

Who may approve fees depends on the type of external administration: see Table 1. The external administrator must provide sufficient information to enable the relevant decision-making body to assess whether the fees are reasonable.

Table 1: Who may approve fees

	Creditors' committee	Creditors	Court
Administrator in a voluntary administration	✓ ¹	✓	✓
Administrator of a deed of company arrangement	✓ ¹	✓	✓
Creditors' voluntary liquidator	✓ ¹	✓ ⁵	✗ ³
Court-appointed liquidator	✓ ¹	✓ ^{4, 5}	✓ ²

¹ If there is one.

² If there is no approval by the committee or the creditors.

³ Unless an application is made for a fee review.

⁴ If there is no creditors' committee or the committee fails to approve the fees.

⁵ If insufficient creditors turn up to the meeting called by the liquidator to approve fees, the liquidator is entitled to be paid up to a maximum of \$5000, or more if specified in the Corporations Regulations 2001.

Creditors' committee approval

If there is a creditors' committee, members are chosen by a vote of creditors as a whole. In approving the fees, the members represent the interests of all the creditors, not just their own individual interests.

There is not a creditors' committee in every external administration. A creditors' committee makes its decision by a majority in number of its members present at a meeting, but it can only act if a majority of its members attend.

To find out more about creditors' committees and how they are formed, see ASIC's information sheets INFO 45 *Liquidation: a guide for creditors*, INFO 74 *Voluntary administration: a guide for creditors* and INFO 41 *Insolvency: a glossary of terms*.

Creditors' approval

Creditors approve fees by passing a resolution at a creditors' meeting. Unless creditors call for a poll, the resolution is passed if a simple majority of creditors present and voting, in person or by proxy,

indicate that they agree to the resolution. Unlike where acting as committee members, creditors may vote according to their individual interests.

If a poll is taken, rather than a vote being decided on the voices or by a show of hands, a majority in *number* and *value* of creditors present and voting must agree. A poll requires the votes of each creditor to be recorded.

A separate resolution of creditors is required for approving fees for an administrator in a voluntary administration and an administrator of a deed of company arrangement, even if the administrator is the same person in both administrations.

A proxy is where a creditor appoints someone else to represent them at a creditors' meeting and to vote on their behalf. A proxy can be either a *general* proxy or a *special* proxy. A general proxy allows the person holding the proxy to vote as they wish on a resolution, while a special proxy directs the proxy holder to vote in a particular way.

A creditor will sometimes appoint the external administrator as a proxy to vote on the creditor's behalf. An external administrator, their partners or staff must not use a general proxy to vote on approval of their fees; they must hold a special proxy in order to do this. They must vote all special proxies as directed, even those against approval of their fees.

Calculation of fees

Fees may be calculated using one of a number of different methods, such as:

- on the basis of *time spent* by the external administrator and their staff
- a quoted *fixed fee*, based on an upfront estimate, or
- a percentage of asset realisations.

Charging on a time basis is the most common method. External administrators have a scale of hourly rates, with different rates for each category of staff working on the external administration, including the external administrator.

If the external administrator intends to charge on a time basis, you should receive a copy of these hourly rates soon after their appointment and before you are asked to approve the fees.

The external administrator and their staff will record the time taken for the various tasks involved, and a record will be kept of the nature of the work performed.

It is important to note that the hourly rates do not represent an hourly wage for the external administrator and their staff. The external administrator is running a business—an insolvency practice—and the hourly rates will be based on the cost of running the business, including overheads such as rent for business premises, utilities, wages and superannuation for staff who are not charged out at an hourly rate (such as personal assistants), information technology support, office equipment and supplies, insurances, taxes, and a profit.

External administrators are professionals who are required to have qualifications and experience, be independent and maintain up-to-date skills. Many of the costs of running an insolvency practice are fixed costs that must be paid, even if there are insufficient assets available to pay the external administrator for their services. External administrators compete for work and their rates should reflect this.

These are all matters that committee members or creditors should be aware of when considering the fees presented. However, regardless of these matters, creditors have a right to question the external administrator about the fees and whether the rates are negotiable.

It is up to the external administrator to justify why the method chosen for calculating fees is an appropriate method for the particular external administration. As a creditor, you also have a right to question the external administrator about the calculation method used and how the calculation was made.

Report on proposed fees

When seeking approval of fees, the external administrator must send committee members/creditors a report with the notice of meeting setting out:

- information that will enable the committee members/creditors to make an informed assessment of whether the proposed fees are reasonable
- a summary description of the major tasks performed, or to be performed, and
- the costs associated with each of these tasks.

Committee members/creditors may be asked to approve fees for work already performed or based on an estimate of work yet to be carried out.

If the work is yet to be carried out, it is advisable to set a maximum limit ('cap') on the amount that the external administrator may receive. For example, future fees calculated according to time spent may be approved on the basis of the number of hours worked at the rates charged (as set out in the provided rate scale) up to a cap of \$X. If the work involved then exceeds this figure, the external administrator will have to ask the creditors' committee/creditors to approve a further amount of fees, after accounting for the fees already incurred.

Deciding if fees are reasonable

If asked to approve an amount of fees either as a committee member or by resolution at a creditors' meeting, your task is to decide if that amount of fees is reasonable, given the work carried out in the external administration and the results of that work.

You may find the following information from the external administrator useful in deciding if the fees claimed are reasonable:

- the method used to calculate fees
- the major tasks that have been performed, or are likely to be performed, for the fees
- the fees/estimated fees (as applicable) for each of the major tasks
- the size and complexity (or otherwise) of the external administration
- the amount of fees (if any) that have previously been approved
- if the fees are calculated, in whole or in part, on a time basis:
 - the period over which the work was, or is likely to be performed
 - if the fees are for work that has already been carried out, the time spent by each level of staff on each of the major tasks
 - if the fees are for work that is yet to be carried out, whether the fees are capped.

If you need more information about fees than is provided in the external administrator's report, you should let them know before the meeting at which fees will be voted on.

What can you do if you think the fees are not reasonable?

If you do not think the fees being claimed are reasonable, you should raise your concerns with the external administrator. It is your decision whether to vote in favour of, or against, a resolution to approve fees.

Generally, if fees are approved by a creditors' committee/creditors and you wish to challenge this decision, you may apply to the court and ask the court to review the fees. Special rules apply to court liquidations.

You may wish to seek your own legal advice if you are considering applying for a court review of the fees.

Reimbursement of out-of-pocket costs

An external administrator should be very careful incurring costs that must be paid from the external administration—as careful as if they were dealing with their own money. Their report on fees should also include information on the out-of-pocket costs of the external administration.

If you have questions about any of these costs, you should ask the external administrator and, if necessary, bring it up at a creditors' committee/creditors' meeting. If you are still concerned, you have the right to ask the court to review the costs.

Queries and complaints

You should first raise any queries or complaints with the external administrator. If this fails to resolve your concerns, including any concerns about their conduct, you can lodge a complaint with ASIC at www.asic.gov.au/complain, or write to:

ASIC Complaints
PO Box 9149
TRARALGON VIC 3844

ASIC will usually not become involved in matters of commercial judgement by an external administrator. Complaints against companies and their officers can also be made to ASIC. For other enquiries, email ASIC through infoline@asic.gov.au, or call ASIC's Infoline on 1300 300 630 for the cost of a local call.

To find out more

For an explanation of terms used in this information sheet, see ASIC's information sheet INFO 41 *Insolvency: a glossary of terms*. For more on external administration, see ASIC's related information sheets at www.asic.gov.au/insolvencyinfosheets:

- INFO 74 *Voluntary administration: a guide for creditors*
- INFO 75 *Voluntary administration: a guide for employees*
- INFO 45 *Liquidation: a guide for creditors*
- INFO 46 *Liquidation: a guide for employees*
- INFO 54 *Receivership: a guide for creditors*
- INFO 55 *Receivership: a guide for employees*
- INFO 43 *Insolvency: a guide for shareholders*
- INFO 42 *Insolvency: a guide for directors*
- INFO 84 *Independence of external administrators: a guide for creditors*

These are also available from the Insolvency Practitioners Association (IPA) website at www.ipaa.com.au. The IPA website also contains the IPA's Code of Professional Practice for Insolvency Professionals, which applies to IPA members.

Annexure D

Remuneration Report – Voluntary Administrators' Work
Completed

Remuneration Report – KA Operations Pty Ltd (Administrators Appointed)

Remuneration Methods

There are four basic methods that can be used to calculate the remuneration charged by an insolvency Practitioner. They are:

a. Time based / hourly rates

This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.

b. Fixed Fee

The total fee charged is normally quoted at the commencement of the administration and is the total cost for the administration. Sometimes a Practitioner will finalise an administration for a fixed fee.

c. Percentage

The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of assets realisations.

d. Contingency

The practitioner's fee is structured to be contingent on a particular outcome being achieved.

Method chosen

Given the nature of this administration we propose that our remuneration be calculated on time based/hourly rates basis. This is because we believe that this method truly reflect the hours worked by individual staff members and the expenses associated with conducting the administration.

Explanation of Hourly Rates

The rates for our remuneration calculation are set out in the attached "Charge Rates" together with a general guide showing the qualifications and experience of staff who may be engaged in the liquidation. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

At the meeting of creditors which is to be held on 13 April 2010, I will be seeking approval from creditors for our retrospective and prospective remuneration as Administrators and Liquidators respectively. Our estimate of remuneration from 1 March 2010 (being the date of our appointment) to 13 April 2010 is \$85,928.50 excluding GST and disbursements. Should the Company go into Liquidation, our estimate of prospective fees from 14 April 2010 to the conclusion of the Liquidation is \$60,000 excluding disbursements, GST and any amount received from the General Employee Entitlements and Redundancy Scheme ("GEERS"). Total estimated fees for the Administration/Liquidation are therefore \$145,928.50. Remuneration is subject to the approval from creditors.

Disbursements

Disbursements are divided into three types: A, B1, B2.

- A** Disbursements are all externally provided professional services and are recovered at cost. An example of an A disbursement is legal fees.
- B** Disbursements are externally provided non-professional costs such as travel, accommodation and search fees. B1 disbursements are recovered at cost.
- B2** Disbursements are internally provided non-professional costs such as postage, printing and document storage. B2 disbursements are charged at cost.

I expect that disbursements will be approximately \$15,000.00 excluding charges for legal expenses, but including statutory advertisements, internal production of creditor correspondence to all creditors (for the first, second and supplementary reports), photocopying, travel, accommodation and postage.

KA Operations Pty Ltd (Administrators Appointed)

Remuneration Report - Description of Work Completed (VA)

Company	KA Operations Pty Ltd (Administrators Appointed)	Period From:	1 March 2010	Period To:	30 March 2010
Practitioners	Michael Gerard McCann and Graham Robert Killer				
Administration Type	Voluntary Administration	Firm	Grant Thornton		

Task Area	General Description	Includes
Assets 23.0 hours \$6,685.50	Plant and Equipment	Liaising with valuers Reviewing asset listings and investigating ownership status
	Leased Assets	Reviewing leasing documents Liaising with owners/lessors Tasks associated with considering liability and disclaiming leases
	Motor vehicles	Conducting searches to identify assets and investigating ownership status Arranging for collection of motor vehicles
	Debtors	Correspondence with debtors Reviewing and assessing debtors ledgers Liaising with debt collectors
Creditors 98.7 hours \$28,528.50	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Retention of Title Claims	Receive initial notification of creditor's intention to claim Receiving documentation supporting retention of title claim Maintain retention of title file Identifying goods on site Adjudicate retention of title claim Forward correspondence of claimant notifying outcome of adjudication Arranging collection of goods with claimants

Task Area	General Description	Includes
	Secured creditors	Preparing reports to secured creditors Responding to secured creditor's queries Discussions with secured creditors and their advisors
	Creditor reports	Preparing 439A, meeting and general reports to creditors
	Dealing with proofs of debt	Receipting and filing PODs when not related to a dividend
	Creditors meetings	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Preparation and lodgement of minutes of meetings with the ASIC Respond to stakeholder queries and questions immediately following meetings
Employees 28.9 hours \$7,806.00	Employees enquiry	Receive and follow up employee enquiries via telephone Review and prepare correspondence to employees regarding termination of employment Preparation and distribution of separation certificates Preparation of letters to employees advising of their entitlements and options available
	GEERS	Initial correspondence with GEERS Preparation of initial estimate of GEERS claims
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and Company's books and records Reconciling superannuation accounts Reviewing awards and EBA
Trading 26.2 hours \$9,441.50	Considering Trading Status	Consider trading status and ability to recommence operations Liaising with utility and communications providers
Investigation 26.9 hours \$6,583.00	Conducting investigations	Collection of Company books and records Reviewing Company's books and records Review and preparation of company nature and history Conducting and summarising statutory searches Preparation of comparative financial statements Review of specific transactions and liaising with director regarding certain transactions Preparation of investigation file

Task Area	General Description	Includes
Administration 50.6 hours \$11,884.00	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists
	Insurance	Identification of potential issues requiring attention of insurance specialists Correspondence with Blue Insolvency regarding initial and ongoing insurance requirements Reviewing insurance policies Correspondence with previous brokers
	Bank account administration	Preparing correspondence and closing accounts Requesting bank statements Opening new bank account for administration period Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Forms	Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	Notification of appointment as Voluntary Administrator
	Planning / Review	Discussions regarding status of the Administration
Total 254.3 hours \$70,928.50		

KA Operations Pty Ltd (Administrators Appointed)

Remuneration Report - Description of Work Completed (VA) – 1 March 2010 to 30 March 2010

Employee Position	\$/hour (ex GST)*	Total actual hours	Total (\$)	Task Area											
				Administration		Investigation		Assets		Creditors		Employees		Trade On	
				Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Appointee - Michael McCann	485.00	10.60	5,141.00	2.60	1,261.00	-	-	0.40	194.00	4.30	2,085.50	0.30	145.50	3.00	1,455.00
Appointee - Graham Killer	485.00	0.30	145.50	0.30	145.50	-	-	-	-	-	-	-	-	-	-
Senior Manager	410.00	4.80	1,968.00	0.30	123.00	-	-	-	-	0.50	205.00	-	-	4.00	1,640.00
Manager	375.00	44.80	16,800.00	0.60	225.00	0.50	187.50	6.90	2,587.50	21.20	7,950.00	6.10	2,287.50	9.50	3,562.50
Supervisor/Client Manager	320.00	65.70	21,024.00	17.20	5,504.00	15.30	4,896.00	1.70	544.00	25.80	8,256.00	-	-	5.70	1,824.00
Accountant 1	240.00	77.10	18,504.00	2.30	552.00	1.70	408.00	14.00	3,360.00	32.90	7,896.00	22.20	5,328.00	4.00	960.00
Graduate	195.00	1.10	214.50	0.30	58.50	-	-	-	-	0.80	156.00	-	-	-	-
EDP	150.00	30.70	4,605.00	16.90	2,535.00	0.30	45.00	-	-	13.20	1,980.00	0.30	45.00	-	-
Secretary	150.00	9.10	1,365.00	9.10	1,365.00	-	-	-	-	-	-	-	-	-	-
Undergraduate	115.00	10.10	1,161.50	1.00	115.00	9.10	1,046.50	-	-	-	-	-	-	-	-
TOTAL		254.30	70,928.50	50.60	11,884.00	26.90	6,583.00	23.00	6,685.50	98.70	28,528.50	28.90	7,806.00	26.20	9,441.50
GST			7,092.85		1,188.40		658.30		668.55		2,852.85		780.60		944.15
TOTAL (including GST)			78,021.35		13,072.40		7,241.30		7,354.05		31,381.35		8,586.60		10,385.65

Annexure E

Remuneration Report – Voluntary Administrators' Work To Be Completed

KA Operations Pty Ltd (Administrators Appointed)

Remuneration Report - Description of Work to be Completed (VA)

Company	KA Operations Pty Ltd (Administrators Appointed)	Period From:	31 March 2010	Period To:	13 April 2010
Practitioner	Michael Gerard McCann and Graham Robert Killer				
Administration Type	Voluntary Administration	Firm	Grant Thornton		

Task Area	General Description	Includes
Assets 5.0 hours \$3,500.00	Plant and Equipment	Liaising with valuers
	Leased Assets	Reviewing leasing documents Liaising with owners/lessors Tasks associated with considering liability and disclaiming leases
	Debtors	Correspondence with debtors Reviewing and assessing debtors ledgers Liaising with debt collectors
Creditors 20.0 hours \$4,000.00	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Secured creditors	Responding to secured creditor's queries Discussions with secured creditors and their advisors
	Dealing with proofs of debt	Receipting and filing POD's when not related to a dividend
	Meeting of Creditors	Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation and lodgement minutes of meetings with the ASIC Respond to stakeholder queries and questions immediately following meeting Correspondence with ATO regarding proof of debt

Task Area	General Description	Includes
Employees 20.0 hours \$6,000.00	Employees enquiry	Receive and follow up employee enquiries via telephone Review and prepare correspondence to employees regarding termination of employment Preparation of separation certificates Preparation of letters to employees advising of their entitlements and options available Receive and prepare correspondence in response to employees objections to entitlements
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and Company's books and records Reconciling superannuation accounts Reviewing awards and EBA
Administration 5.0 hours \$1,500.00	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists
	Insurance	Correspondence with Blue Insolvency regarding ongoing insurance requirements
	Bank account administration	Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Forms	Correspondence with ASIC regarding statutory forms
	Planning / Review	Discussion regarding status of the Administration
Total 50.0 hours \$15,000.00		

Annexure F

Remuneration Reports – Liquidators' Work To Be Completed

KA Operations Pty Ltd (Administrators Appointed)

Remuneration Report - Description of Work to be Completed (LIQ)

Company	KA Operations Pty Ltd (Administrators Appointed)	Period From:	14 April 2010	Period To:	Finalisation
Practitioner	Michael Gerard McCann and Graham Robert Killer				
Administration Type	Liquidation	Firm	Grant Thornton		

Task Area	General Description	Includes
Assets 40.0 hours \$15,000.00	Plant and Equipment	Liaising with valuers, auctioneers and interested parties Reviewing asset listings
	Leased Assets	Reviewing leasing documents Liaising with owners/lessors Tasks associated with considering liability and disclaiming leases
	Other Assets	Tasks associated with realising any other assets
	Debtors	Correspondence with debtors Reviewing and assessing debtors ledgers Liaising with debt collectors and solicitors
	Assets subject to specific charges	All tasks associated with realising a charged asset
Creditors 40.0 hours \$9,000.00	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Creditor reports	Preparation of reports to creditors
	Dealing with proofs of debt	Receipting and filing POD's when not related to a dividend
Employees 40.0 hours \$12,000.00	Employees enquiry	Receive and follow up employee enquiries via telephone Review and prepare correspondence to employees regarding termination of employment Preparation of separation certificates Preparation of letters to employees advising of their entitlements and options available

Task Area	General Description	Includes
	GEERS	Correspondence with GEERS Preparing notification spreadsheet Preparing GEERS quotations Preparing GEERS distributions
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and Company's books and records Reconciling superannuation accounts Reviewing awards and EBA
	Employee dividend	Correspondence with employees regarding dividend Correspondence with ATO regarding SGC proof of debt Calculating dividend rate Preparing dividend file Advertising dividend notice Preparing distribution Receipting PODs Adjudicating PODs Ensuring PAYG is remitted to ATO
	Other employee issues	Correspondence with Child Support Correspondence with Centrelink
Investigation 30.0 hours \$9,000.00	Conducting investigations	Reviewing Company's books and records Review of specific transactions and liaising with director regarding certain transactions Liaising with director regarding certain transactions Finalisation of investigation file Lodgement of investigation with the ASIC Preparation and lodgement of supplementary report if required
	Litigation / Recoveries	Internal meetings to discuss status of litigation Preparing briefs to solicitors Liaising with solicitors regarding recovery actions Attending to negotiations Attending to settlement matters

Task Area	General Description	Includes
	ASIC reporting	Preparing statutory investigation reports Preparing affidavits seeking non lodgements assistance Liaising with ASIC
Dividend 20.0 hours \$6,000.00	Processing proofs of debt	Preparation of correspondence to potential creditors inviting lodgement of POD Receipt of PODs Maintain POD register Adjudicating PODs Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication
	Dividend procedures (if possible)	Preparation of correspondence to creditors advising of intention to declare dividend Advertisement of intention to declare dividend Obtain clearance from ATO to allow distribution of company's assets Preparation of dividend calculation Preparation of correspondence to creditors announcing declaration of dividend Advertise announcement of dividend Preparation of distribution Preparation of dividend file Preparation of payment vouchers to pay dividend Preparation of correspondence to creditors enclosing payment of dividend
Administration 30.0 hours \$9,000.00	Document maintenance/file review/checklist	First month, then 6 monthly administration review Filing of documents File reviews Updating checklists
	Insurance	Finalisation of insurance policies
	Bank account administration	Bank account reconciliations Correspondence with bank regarding specific transfers Closure of bank account
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	Notification of appointment as Liquidator Preparing BAS' Completing group certificates

Task Area	General Description	Includes
	Finalisation	Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists Finalising WIP
	Books and records / storage	Dealing with records in storage Sending job files to storage
	Planning / Review	Discussions regarding status of the Liquidation
Total 200.0 hours \$60,000.00		