

First Meeting of Creditors

23 May 2016

King Holding Company 1 Pty Limited
King Holding Company 2 Pty Limited
King Bid Company Pty Limited
Oakville Produce Group Pty Limited
Oakville Produce Asian Holdco Pty Limited
Oakville Produce Australian Holdco Pty Limited
Oakville Produce Pty Limited
Oakville Produce QLD Pty Limited
Lachlan Produce Pty Limited
OP Holdco SA Pty Limited
Oakville Potatoes Pty Limited
Golden Sunrise Produce Pty Limited
(All Receivers and Managers Appointed)
(All Administrators Appointed)
Oakville Produce Export Pty Limited
(Administrators Appointed)



McGrathNicol



Agenda

- Formalities
- Resolution (concurrent meetings)
- Purpose of meeting
- Declaration of Independence, Relevant Relationships and Indemnities
- Background and events leading up to Administration
- Receivers vs Voluntary Administration
- Voluntary Administration timeline
- Oakville Group entities and structure
- Financial position and performance
- Receivership status and update
- Voluntary Administrators' investigations
- Potential returns to creditors
- Extension of convening period
- Resolutions (Committee and replacement of Voluntary Administrators)
- Questions

Formalities

- Open meeting
- Administrator Chairperson: Corporations Regulation 5.6.17(1)
- Introductions:
 - Barry Kogan (Administrator)
 - Vincent Pirina (Director)
 - Jack Freeman (Senior Accountant and Minutes Secretary)
 - James Beaton (Solicitors for the Administrators)
- Quorum: Corporations Regulation 5.6.16(2)
- Attendance register
- Voting
- Time and place convenient: Corporations Regulation 5.6.14
- Proofs of debt and proxies

Resolution – meetings to be held concurrently

“That the meetings of creditors of each of the Oakville Produce Group (Sydney) Companies, being:

- King Holding Company 1 Pty Limited*
- King Holding Company 2 Pty Limited*
- King Bid Company Pty Limited*
- Oakville Produce Group Pty Ltd*
- Oakville Produce Asian Holdco Pty Limited*
- Oakville Produce Australian Holdco Pty Limited*
- Oakville Produce Pty Limited*
- OP Holdco SA Pty Limited*

(All Receivers and Managers Appointed)

(All Administrators Appointed)

- Oakville Produce Export Pty Ltd*

(Administrators Appointed)

.....be held concurrently.”



Purpose of meetings

First meeting of creditors

- Convened under Section 436E of the Corporations Act, in order to:
 - determine whether to appoint a Committee of Creditors, and if so, who are to be the Committee's members; and
 - consider the removal of the Administrators and appoint an alternative Administrator who has consented to act.
- This meeting has no authority to consider any other business

Second meeting of creditors

- Will be convened at a date to be determined, in order to make a decision regarding the Group's future



Declaration of Independence, Relevant Relationships and Indemnities (“DIRRI”) and Remuneration

DIRRI

- DIRRI dated 16 May 2016 - distributed with notice of meeting
- DIRRI is available for inspection
- We remain of the view that we are free from any conflict of interest
- \$150,000 (plus GST and legal fees) indemnity received on 11 May 2016 from the Receivers and Managers of the Group

Remuneration

- Schedule of rates provided with meeting information
- Comprehensive remuneration report will be provided prior to the second meeting of creditors

Background and events leading up to the Administration

- Formerly traded as the Moraitis Group
- 8 April 2013 – Chinese conglomerate, Chevalier purchased the majority of the Group's share capital
- 28 November 2014 – Syndicated Facility Agreement was amended in order to reduce debt through the divestment of Group assets
- Throughout 2015/2016 the following businesses and assets were sold/divested by the Group:
 - Oakville Produce Bananas Group of companies
 - Evered Nominees (WA)
 - Moraitis Wholesale (NSW)
 - Moraitis Tomatoes
 - Edison Holdings
 - Leasehold rights for various market buildings (NSW, QLD)
- Integrated potato and onion businesses remain
- The Group reported a \$49m reduction to senior debt in FY15, enabled mainly by the above sales
- 10 May 2016, demand issued by lending syndicate for debt repayment
- 11 May 2016 – the Group's board resolved to place the Group into Voluntary Administration with the Banking syndicate appointing Vaughan Strawbridge, David Lombe and Tim Heenan of Deloitte Touche Tohmatsu as Receivers immediately thereafter

Receivers vs Voluntary Administrators

Receivers (Deloitte Touche Tohmatsu)	Voluntary Administrators (McGrathNicol)
<ul style="list-style-type: none">▪ Appointed by a secured creditor (in this case a banking syndicate), and represent predominantly the interests of those secured creditors▪ Responsible for the ongoing trading and control of the business▪ Running a sale campaign to realise the assets▪ Once either the secured creditor is paid in full, or all assets are realised, the Receivers will retire and control will be passed to the Voluntary Administrators	<ul style="list-style-type: none">▪ Appointed by directors, and represent the interests of all stakeholders▪ Holding meetings of creditors▪ Investigating the reasons for failure of the Group▪ Making recommendations about the future of the Group▪ Distributing any surplus funds from sale of assets▪ In the event of a liquidation, liaising with the Department of Employment regarding the Fair Entitlements Guarantee scheme available to employees

Voluntary Administration - Timeline

Today's meeting

Application to be made to extend the convening period for up to 6 months



ADMINISTRATION

11 May 2016
Administrators appointed to Group

16 May 2016
Written notice of first meeting mailed to creditors and employees

23 May 2016
1st meeting of creditors held
Purpose:
(i) Replace VA
(ii) Consider the appointment of a Committee of Creditors

8 June 2016
Written notice of second meeting mailed to creditors and employees

8 June 2016
Issues s439A Report with recommendations

15 June 2016
2nd meeting of creditors held
Options:
- DOCA
- Liquidation
- Return to directors

Oakville Produce Group entities

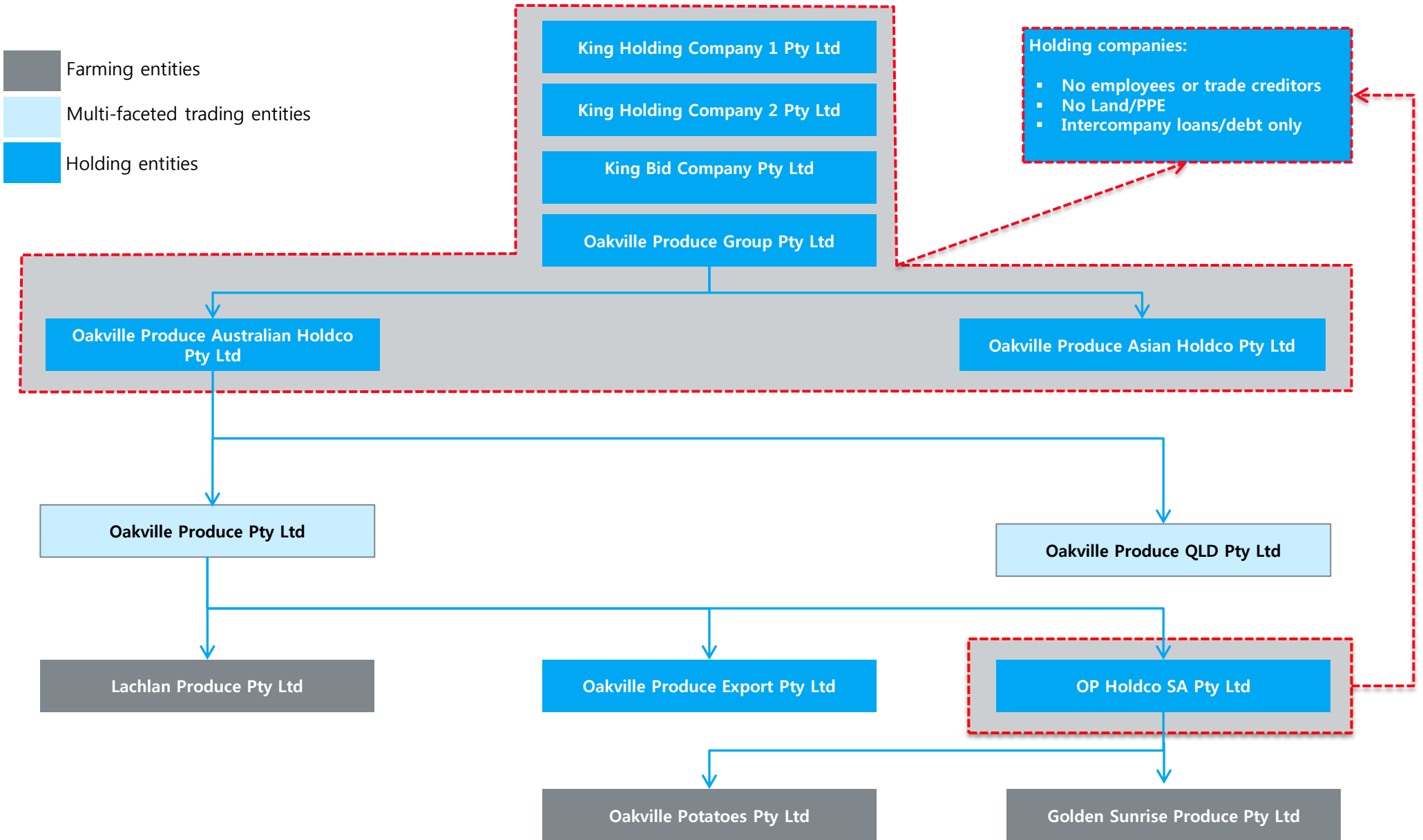
Oakville Produce Group (Receivers and Managers Appointed)(Administrators Appointed)

Company name	Meeting location
King Holding Company 1 Pty Limited ("KHC1")	Sydney
King Holding Company 2 Pty Limited ("KHC2")	Sydney
King Bid Company Pty Limited ("KBC")	Sydney
Oakville Produce Group Pty Limited (OPG")	Sydney
Oakville Produce Asian Holdco Pty Limited ("OP Asia")	Sydney
Oakville Produce Australian HoldCo Pty Limited ("OP Aus")	Sydney
Oakville Produce Pty Limited ("OP")	Sydney
OP Holdco SA Pty Limited ("OPH")	Sydney
Oakville Produce Qld Pty Ltd (OPQ")	Brisbane
Oakville Potatoes Pty Ltd ("OP (Potatoes)")	Adelaide
Golden Sunrise Produce Pty Ltd ("GSP")	Adelaide
Lachlan Produce Pty Ltd ("LP")	Griffith

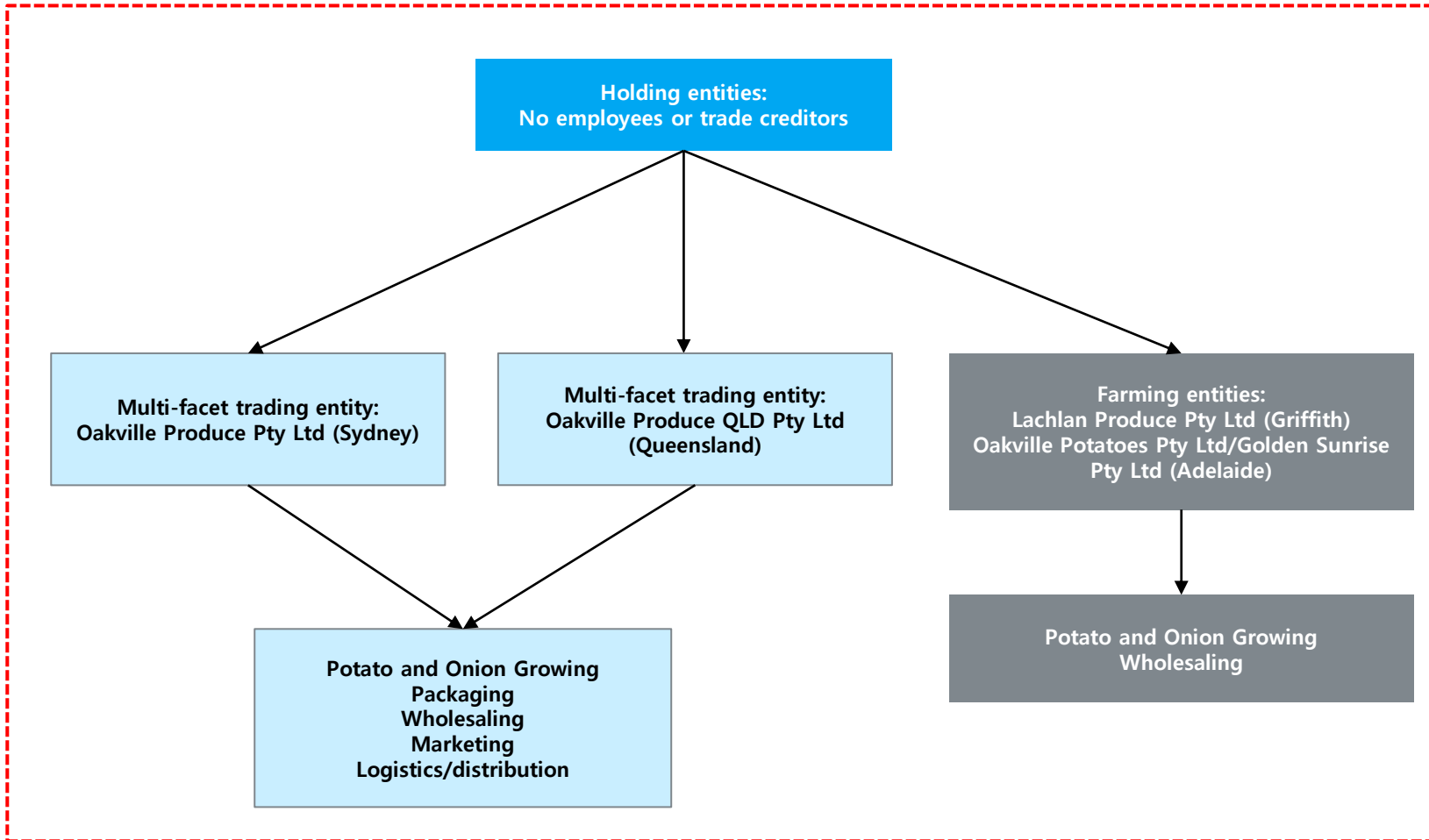
Oakville Produce Export Pty Ltd (Administrators Appointed)

Company name	Location
Oakville Produce Export Pty Ltd ("OPE")	Sydney

Group structure



Trading and holding entities



- 3 farms in SA
- 3 farms in NSW
- 3 distribution locations (Syd, Mel, Bri)
- Annualised revenues of c. \$250m
- c. 240 employees owed c. \$3.3m*
- c. 450 trade creditors owed c. \$9.7m
- Various secured debt of c. \$150m

* Excludes redundancy related amounts

Group background and business overview

Company overview						
Location	Sydney meeting entities		Adelaide meeting entities		Brisbane meeting entity	Griffith meeting entity
Entity	OP	Other Sydney entities	OP (Potatoes)	GSP	OPQ	LP
Activity/status	Trading entity with fresh produce and wholesale business units including: <ul style="list-style-type: none"> Fresh produce NSW, VIC, SA, WA Agtec Agriculture Administration Wholesale VIC 	Non-trading holding entities	Trading entity with farming and wholesaling business units	Non-trading entity, holds fixed assets and employees	Trading entity with fresh produce and wholesale business units including: <ul style="list-style-type: none"> Fresh produce QLD Wholesale QLD 	Trading entity with farming and wholesaling business units
Key assets	<ul style="list-style-type: none"> Land (Hillston area) Plant and equipment Trade debtors Inventory 	No known assets	<ul style="list-style-type: none"> Land (Nildottie, SA) Plant and equipment Trade debtors Inventory 	<ul style="list-style-type: none"> Land (Parrakie, Karte and Pinnaroo all in SA) Plant and equipment 	<ul style="list-style-type: none"> Plant and equipment Trade debtors Inventory 	<ul style="list-style-type: none"> Plant and equipment Trade debtors Inventory
Number of employees	181	Nil	47	15	Nil (local staff employed by OP)	Nil (local staff employed by OP)
Trade creditors	228	Nil	124	4	51	45
Value of trade creditors	\$6.9m	Nil	\$1.9m	\$0.1m	\$0.5m	\$0.3m
Secured creditors	c. \$150m					



Group reporting and Cross Guarantees

- The Administrators are required to report to creditors on a legal entity by legal entity basis
- We understand the Group has entered into a Deed of Cross Guarantee (“the Deed”) under an ASIC class order
- This broadly relieves corporate groups from producing individually audited accounts and other reporting requirements
- We will need to carefully consider the Deed, however, the usual impact is that creditors of each company may also be able to claim in other entities
- We do not presently have readily available clearly reconciled financial information on a company by company basis
- Clarity in relation to this position will be provided in our detailed report to creditors
- The following slides provide financial information on a group basis

Group financial position and performance

Oakville Produce Group			
Balance sheet (\$'000's)	31 March 2014 ¹	31 March 2015 ¹	31 March 2016 ²
Cash and cash equivalents	714	3,132	3,555
Receivables	37,769	24,570	20,272
Inventory	6,238	2,483	15,671
Financial assets (related party loans, tax assets, investments)	17,289	9,417	9,395
Property, plant and equipment	84,581	74,186	77,094
Intangible assets (Goodwill)	96,637	78,500	78,500
Other assets (planted but not yet harvested crop)	16,787	34,544	10,628
Total assets	260,015	226,832	215,116
Trade and other payables	48,384	34,610	34,497
Financial liabilities	169,110	164,227	188,482
Provisions	5,889	2,777	2,685
Other liabilities	1,063	11,212	-
Total liabilities	224,446	212,826	225,663
Net assets/Equity	35,569	14,006	(10,547)

Oakville Produce Group			
Income statement (\$'000's)	31 March 2014 ¹	31 March 2015 ¹	31 March 2016 ²
Revenue	272,906	247,928	251,122
Cost of sales	(249,988)	(229,545)	(232,609)
Gross income	22,918	18,383	18,513
Operating costs	(13,223)	(8,002)	(24,776)
Depreciation and Amortisation	(18,327)	(12,953)	(3,993)
Finance costs	(15,370)	(18,989)	(18,960)
Net loss	(24,002)	(21,561)	(29,217)

Note 1: As per audited financial statements

Note 2: As per unaudited management accounts

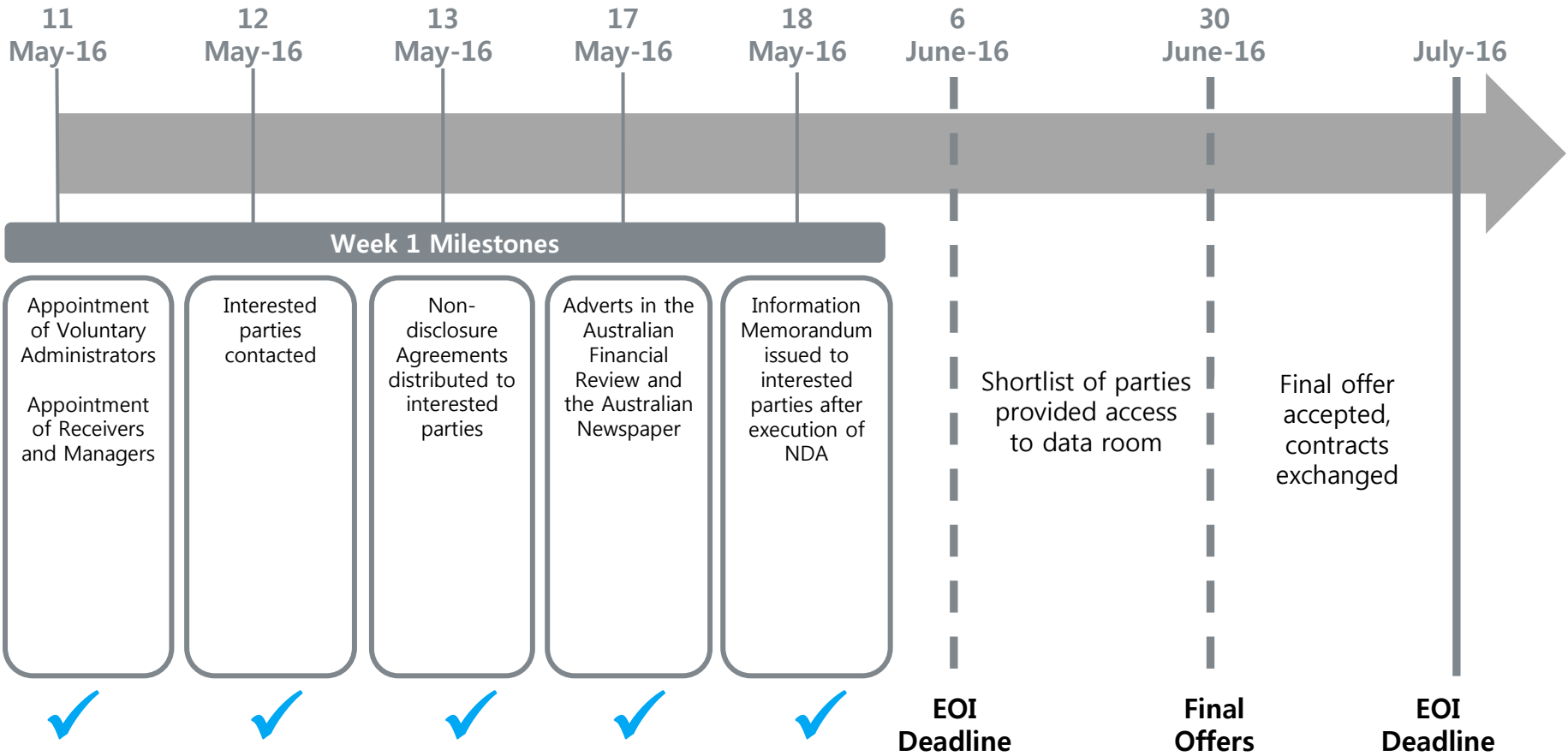


Receivership status and update

- Receivers have been co-operative and helpful
- Trading the business to achieve a 'going concern' sale
- Receivers are working closely with all stakeholders regarding the ongoing trading of the business
- Identified key focus areas:
 - **Employees** – all staff on appointment were retained
 - **Customers** – received support of customers and continue to supply on 'business as usual' basis
 - **Suppliers** – have established ongoing supply
 - **Farms** – have continued farming activity
 - **Packaging facilities** – all sites retained and operating to enable continued supply to customers
- Funding has been obtained from the Banking syndicate to continue to trade the business

Receivership sale process

The Receivers are undertaking a public sale process. In excess of 60 parties have expressed interest.





Voluntary Administrators' investigation

- Voluntary Administrators are working to maintain a stable environment to assist the Receivers' sale process
- We have an obligation to investigate the reasons for the failure of the Group and ensure this is properly reported on
- A detailed report will be provided prior to the 2nd meeting of creditors dealing with the business, property, affairs and financial circumstances of the Group
- Our report will also provide creditors with detail on the reasons for failure and potential recoveries, together with recommendations on the options available to creditors, i.e:
 - Return group to directors;
 - Enter into liquidation; or
 - Execute a Deed of Company Arrangement
- The ultimate recommendation will, in part, be influenced by the outcome of the Receivers' sale process



Potential return to creditors

- It is too early to form views on the potential return to unsecured creditors
- The order in which different classes of creditors are paid is determined by the Corporations Act
- Generally, the order of priority is as follows:
 - Employees and Secured creditors
 - Unsecured creditors
 - Shareholders
- Considering the indicative creditor profile of the business, in any scenario, strong offers are needed to compensate all creditors
- In liquidation, some avenues of recovery are open to creditors that are not otherwise available (preferences, insolvent trading and uncommercial transactions)



Extension of convening period

- The Voluntary Administration regime provides a statutory moratorium and option to enter into a Deed of Company Arrangement
- On straightforward matters, a decision as to a company's future can be made within the circa 1 month statutory timeframe
- In the current circumstances (given the size and scale of the Group) we have been requested to apply to the Court for an extension of the convening period for up to 6 months
- We will hold the meeting earlier if the Receivers' sale process completes in a shorter timeframe



Resolutions – Replacement of Voluntary Administrator

- Resolution – replacement of Voluntary Administrator (if required)

*“That Barry Kogan, Jason Preston and Thea Eszenyi are replaced as administrators of the Companies
and*

..... is/are appointed as Voluntary Administrators of the Companies”.



Resolutions – Committee of Creditors

- Role:
 - consult with the Administrators about matters relating to the administration; and
 - receive and consider reports by the Administrators
- Committee of Creditors cannot instruct the Administrators but acts as a sounding board
- It is useful to have a Committee in place

Oakville Produce Pty Ltd (Receivers and Managers Appointed)(Administrators Appointed)

- Resolution – committee of creditors (if required)

“That:

..... representing

..... representing

..... representing

..... representing

..... representing

be appointed to the Committee of Creditors of Oakville Produce Pty Ltd (Receivers and Managers Appointed)(Administrators Appointed)”.

Q & A

