

23 August 2024

INITIAL CIRCULAR TO EMPLOYEES

Dear Sir/Madam

**Redflow Limited ACN 130 227 271
and certain entities listed in Annexure A
(all Administrators Appointed)
(together, the Redflow Group or the Companies)**

Appointment of Voluntary Administrators

Richard Hughes and I, David Orr, were appointed Joint and Several Administrators (**Administrators**) of the Companies on 23 August 2024, pursuant to the provisions of Section 436A of the *Corporations Act 2001* (the **Act**).

The Administrators are undertaking an urgent financial assessment of the Companies and will look to commence a sale and/or recapitalisation process shortly. The Administrators' intention is to cause as little disruption to the business as possible, whilst still meeting their obligations under the law.

Whilst we assume responsibility for the business, the Companies' management team will continue to assist us with the operations of the business during the administration. We may make information requests to some staff to help understand the business as quickly as possible.

We will keep you as updated as we can during the process, either directly from the Administrators or through your management team.

Your employment

Your employment will continue with the Companies, and wages incurred during the period from the date of voluntary administration will continue to be paid, unless you are advised otherwise by the Administrators.

The intention is for employment to continue as normally as possible through this process and into the future.

It should be noted that continuation of your employment in no way constitutes an adoption by us of your employment contract.

Outstanding employee entitlements

Any outstanding entitlements (including wages, superannuation, annual leave, and long service leave) due to you as at the date of the appointment of voluntary administrators, being 23 August 2024, are frozen during the voluntary administration and are a priority claim against certain assets of the Companies.

If the Companies were to enter liquidation and your entitlements were unable to be fully met from asset realisations, there is also a Federal Government scheme known as the Fair Entitlement Guarantee (**FEG**) scheme which applies to most outstanding employee entitlements, subject to eligibility criteria.

Enclosed with this circular is an ASIC Factsheet for employees which includes a detailed description on the order of distribution to creditors, employees, and financiers (**Annexure B**) and information on the FEG scheme (**Annexure C**).

Other matters

As a consequence of the appointment, the Administrators will take control of the management operations of the Companies and of their assets in accordance with the Act.

We are currently establishing controls and processes to put in place to enable us to properly monitor the trading liabilities being incurred by the Companies under our control, whilst causing as little disruption as possible to the day to day running of the businesses.

These controls and processes will be conveyed to you once they are finalised.

Media enquiries

Should you receive contact from the media, please direct those queries to the Administrators and their staff at redflow@deloitte.com.au.

Ongoing communication and contact details

We understand this is a very difficult and uncertain time for you. To the extent possible, we will work to minimise as much disruption to your employment as we can, whilst the administration and sale process is underway.

We thank you for your patience and understanding during this time.

Should you require any further information, please contact us by email at redflow@deloitte.com.au.

Yours faithfully

A handwritten signature in black ink, appearing to read 'David Orr', with a stylized flourish at the end.

David Orr

Joint and Several Administrator

Encl.

Annexure A | Schedule of Companies subject to Voluntary Administration

Company	ACN
Redflow Limited	ACN 130 227 271
Redflow International Pty Ltd	ACN 128 888 997
Redflow R&D Pty Ltd	ACN 116 992 253
ZCell Australia Pty Ltd	ACN 613 792 420

Annexure B | ASIC Information Sheet *Voluntary administration: A guide for employees*

Voluntary administration: A guide for employees

This information sheet (INFO 75) provides information for employees of companies in voluntary administration. It covers:

- [who is an employee?](#)
- [the purpose of voluntary administration](#)
- [the voluntary administrator's role](#)
- [employee entitlements](#)
- [establishing your claim under a deed of company arrangement](#)
- [payment summaries and separation certificates](#)
- [committee of inspection](#)
- [right to request information](#)
- [questions and complaints](#)

If you are an employee, you should also read [Information Sheet 74](#) *Voluntary administration: A guide for creditors* (INFO 74).

Who is an employee?

You are an employee if you are:

- engaged by a company under an award, enterprise agreement, agreement-based transitional instruments (i.e. agreements that were in force before the commencement of the *Fair Work Act 2009*) or a contract of employment
- paid a salary, wages or commission.

If you are an employee owed money for unpaid wages, superannuation, annual leave, sick leave, long service leave, retrenchment pay or other benefits, you are a creditor of the company. You may be entitled to some or all of what you are owed before other company creditors (this is known as 'priority').

If you are a **contractor**, you may be classified as an [unsecured creditor](#), not an employee. You should seek your own legal advice or contact the [Australian Taxation Office](#) (ATO), [the Fair Work Ombudsman](#) or your union representative to determine if you are a contractor or an employee.

The purpose of voluntary administration

Voluntary administration is designed to resolve a company's future. An independent registered liquidator (the voluntary administrator) takes full control of the company. This allows the director or a third party – usually in consultation with the voluntary administrator – time to find a way to save the company or its business, if possible.

If it is not possible to come up with a plan to save the company or its business, the voluntary administrator aims to administer the company's affairs to obtain a better return (payment) to creditors than if the company had been immediately wound up (closed down). A mechanism for achieving these aims is a deed of company arrangement (DOCA).

A DOCA is a binding arrangement between a company and its creditors governing how the company's affairs will be dealt with. It is agreed to after the company enters voluntary administration. The DOCA is proposed by the director (or any third party) and is administered by a deed administrator (usually the registered liquidator who was the voluntary administrator).

A company's director(s) usually appoint/s a voluntary administrator after they determine the company is insolvent or likely to become insolvent. Less commonly, a liquidator, provisional liquidator or secured creditor may appoint a voluntary administrator.

A [secured creditor](#) is someone who holds a [security interest](#), such as a mortgage, in some or all the company assets to secure a debt owed by the company. Lenders usually require a security interest in company assets when they provide a

loan.

A company in voluntary administration may also be in receivership. For more information, see [INFO 54](#).

The voluntary administrator's role

After taking control of the company, the voluntary administrator investigates and reports to creditors about the company's business, property, affairs and financial circumstances. They also report on the three options available to creditors (including employees):

- end the voluntary administration and return the company to the directors' control
- approve a DOCA through which the company will pay all or part of its debts and then be free of those debts
- wind up the company and appoint a liquidator.

The voluntary administrator must give an opinion on each option, including an opinion on any DOCA proposal, and recommend which option is in the best interests of creditors.

In doing so, the voluntary administrator tries to:

- determine possible solutions to the company's problems
- assess any proposals put forward for the company's future
- compare the possible outcomes of any proposals with the likely outcome in a liquidation.

A creditors' meeting is held about five weeks after the company goes into voluntary administration to decide the company's future. In complex administrations, the meeting may be held later if the court orders.

Employees are entitled to vote at creditors' meetings. You should lodge details of your claim with the voluntary administrator before the meeting to allow you to vote.

The voluntary administrator has all the powers of the company and its directors, including the power to sell or close the company's business, or sell individual assets, in the lead up to creditors deciding the company's future.

The voluntary administrator is also responsible for reporting to ASIC possible offences committed by people involved with the company.

Although the voluntary administrator may be appointed by the directors, they must act fairly and impartially.

Employee entitlements

If the voluntary administrator continues to trade the business, they must pay ongoing employees for services provided after the date of their appointment out of the assets available to them. These payments are treated as an expense of the voluntary administration.

The appointment of a voluntary administrator does not automatically terminate the employment of the company's employees. However, employee entitlements that arose before voluntary administration are not usually paid during voluntary administration.

How and when these employee entitlements are paid depends on the option passed at the creditors' meeting (i.e. company returned to directors, a DOCA or liquidation).

Company returned to directors

In very rare circumstances, creditors will resolve to return the company to the control of its directors.

If the company is returned to the directors, the directors will be responsible for ensuring that the company pays outstanding entitlements as they fall due.

Deed of company arrangement

If creditors approve a DOCA, the order (priority) in which outstanding employee entitlements are paid depends on the terms of the DOCA. Sometimes the DOCA proposal is for these entitlements to be paid in the same order as in a liquidation. Other times, a different order is proposed.

A DOCA must ensure that employees' entitlements have the same order as in a liquidation, as provided by law, unless the eligible employees agree by a majority in both number and value to vary this order.

This means that, in a DOCA, unless a variation to the order of payment is agreed, employees have the right – if there are funds left over after payment of the fees and expenses of the voluntary administrator and deed administrator – to have their outstanding entitlements paid before other unsecured creditors are paid.

Priority employee entitlements are grouped into categories (or classes) and paid in the following order:

- outstanding wages and superannuation
- outstanding leave of absence (such as annual leave and long service leave)
- retrenchment pay.

Each class must be paid in full before the next class is paid. If there are insufficient funds to pay a class in full, the available funds are paid on a pro-rata basis (and the next class or classes will be paid nothing). For more information, see Information Sheet 46 Liquidation: A guide for employees (INFO 46).

Where a DOCA proposal seeks to vary order for employee entitlements

If a DOCA proposal seeks to vary the payment order for employee entitlements, the voluntary administrator must call a meeting of eligible employees giving at least five business days' notice of the meeting. At the same time, the voluntary administrator must give eligible employees a statement setting out:

- their opinion about whether the proposed variation would result in the same or better outcome for employees than if the company went into liquidation
- their reasons for this opinion
- any other information to help employees make an informed decision about varying the order.

Before you decide on how to vote at the meeting of eligible employee creditors (or the creditors' meeting where the decision is made), make sure you understand how the DOCA will affect the order of payment of your outstanding entitlements.

The Fair Entitlements Guarantee (FEG)

Employees owed certain entitlements after losing their job because their employer went into liquidation may be able to get financial help from the Australian Government.

This help is available through the FEG.

However, if you are employed by a company in voluntary administration or subject to a DOCA, you are not eligible for the FEG until and unless the company enters into liquidation.

The FEG is a scheme of last resort assisting employees who have lost their job because their employer entered liquidation. For more information, see the FEG website.

You may wish to seek independent legal advice on whether the terms of a proposed DOCA will affect your claim under the FEG if the company subsequently goes into liquidation.

If the DOCA provides for your ongoing employment, you may also wish to seek advice on how this affects payment of your outstanding entitlements.

The FEG does not cover unpaid superannuation contributions. For information about outstanding superannuation entitlements, contact the Australian Taxation Office (ATO).

Liquidation

If creditors resolve that the company be wound up, the priority order given to outstanding employee entitlements in a liquidation will apply.

If there are funds left over after payment of the fees and expenses of the administrator and liquidator, employees have the right to be paid their outstanding entitlements before other unsecured creditors are paid.

The grouping of outstanding employee entitlements and order of payment in a liquidation is the same for a [DOCA](#). For more information, see [INFO 46](#).

You may also be entitled to make a claim under the FEG when the company enters into liquidation.

Establishing your claim under a deed of company arrangement

The DOCA's terms will outline how claims are dealt with under the DOCA. Sometimes the DOCA incorporates the Corporations Act provisions for dealing with claims in a liquidation.

Regardless of the DOCA's terms, if the deed administrator must pay outstanding priority employee entitlements, they may advise you beforehand how much they believe you are owed. You should promptly contact the deed administrator if you disagree with their calculation.

You may be required to complete an employee entitlement claim form (sometimes called a '[proof of debt](#)'). Contact the deed administrator's office to agree and settle the amount and ask questions about the timing of the payment.

You may need to provide evidence to justify your claim. It is important that you keep your pay or other records about the terms of your employment.

You may also need these records to complete your income tax return and establish any entitlement to the FEG if the company proceeds to liquidation.

When you submit your claim, ask the deed administrator to acknowledge receipt of your claim and ask if they require any further information.

If the deed administrator rejects your claim after you have taken these steps, you may wish to seek your own legal advice. Depending on the terms of the DOCA, you may have a limited time to take legal action to challenge the decision.

See [INFO 46](#) to find out how to prove your claim in a liquidation.

Payment summaries and separation certificates

Most employees require a PAYG payment summary (group certificate) to complete and lodge their income tax return. A separation certificate may also be required before an employee who loses their job can apply for social security.

If a voluntary administrator or deed administrator pays you any employee entitlements, they must provide you with a PAYG payment summary recording the entitlements paid and any income tax deducted. Contact the voluntary administrator or deed administrator to find out if they are going to prepare your PAYG payment summary for entitlements paid by the company prior to their appointment, and, if so, what period it will cover.

If you cannot obtain a PAYG payment summary for any period, [contact the ATO](#) to find out how to meet your obligations.

A voluntary administrator and deed administrator must prepare a separation certificate for any employee whose employment is terminated during the voluntary administration or DOCA. They are not obliged to prepare one for terminations of employment that occurred prior to voluntary administration.

[Contact Centrelink](#) to find out what you should do if you cannot obtain a separation certificate.

Committee of inspection

A [committee of inspection](#) may be formed to assist and advise the voluntary administrator. The committee of inspection also:

- monitors the conduct of the voluntary administrator
- may approve certain steps in the administration
- may give directions to the voluntary administrator.

The voluntary administrator must consider but is not always required to follow the directions. For more information, see [INFO 74](#).

All creditors, including a representative of the company's employees, are entitled to stand for committee membership to represent the interests of all creditors. Employees and large creditors can appoint their own member.

Right to request information

As a creditor, you can ask the administrator to give you information, provide a report or produce a document relevant to the administration

If the request is reasonable, the administrator must provide this information, report or document. Complying with the request will not cause the administrator to breach their duties.

Questions and complaints

Contact the voluntary administrator/deed administrator to raise any question or complaints. If this fails to resolve your concerns, including any concerns about the administrator's conduct, you [can lodge a report of misconduct with ASIC](#). Reports of misconduct against companies and their officers can also be made to ASIC.

Lodging your report of misconduct online will ensure we can quickly respond to your concerns.

ASIC does not usually become involved in matters of a voluntary administrator's or deed administrator's commercial judgement.

More information

- › [Information Sheet 39 *Insolvency information for directors, employees, creditors and shareholders*](#) (INFO 39)
- › [Australian Restructuring Insolvency & Turnaround Association \(ARITA\) website](#)
- › [ARITA Code of Professional Practice for Insolvency Practitioners](#)

Important notice

Please note that this information sheet is a summary giving you basic information about a particular topic. It does not cover the whole of the relevant law regarding that topic, and it is not a substitute for professional advice.

You should also note that because this information sheet avoids legal language wherever possible, it might include some generalisations about the application of the law. Some provisions of the law referred to have exceptions or important qualifications. In most cases your particular circumstances must be taken into account when determining how the law applies to you.

This is **Information Sheet 75 (INFO 75)**, reissued in August 2020.

Annexure C | Information on the Fair Entitlements Guarantee Scheme



Eligibility for FEG assistance

This fact sheet provides information about the eligibility requirements for the Fair Entitlements Guarantee (FEG). The Fair Entitlements Guarantee (FEG) is a scheme of last resort that provides financial assistance for unpaid entitlements in insolvency. FEG assistance is only available where there is no other source of funds to pay employment entitlements to eligible employees retrenched due to liquidation of bankruptcy of the employer.

For information about what assistance is available please refer to the [What assistance can FEG provide?](#) fact sheet available on the [FEG website](http://www.ag.gov.au/FEG) (www.ag.gov.au/FEG).

The FEG Act

Decisions about eligibility for FEG assistance are made in accordance with the *Fair Entitlements Guarantee Act 2012* (FEG Act). FEG may apply to a person if their employer enters liquidation or bankruptcy and the person has certain unpaid employment entitlements owing to them. For information about what assistance is available please refer to the [What assistance can FEG provide?](#) fact sheet available on the [FEG website](http://www.ag.gov.au/FEG) (www.ag.gov.au/FEG).

Am I eligible?

Subject to certain exclusions, you will be eligible for FEG assistance under the FEG Act if:

- your employment has ended
- your former employer entered liquidation or bankruptcy (known as an 'insolvency event') on or after 5 December 2012
- the end of your employment:
 - was due to the insolvency of your employer, or
 - occurred less than 6 months before the appointment of an insolvency practitioner for the employer, or
 - occurred on or after the appointment of an insolvency practitioner for the employer
- you are owed employment entitlements
- you have taken reasonable steps to prove those debts in the winding up or bankruptcy of the employer
- if you were owed employment entitlements before the insolvency event occurred, you took reasonable steps to have them paid
- at the time your employment ended, you were an Australian citizen or, under the

Migration Act 1958, the holder of a permanent visa (ie your current visa allows you to live in Australia indefinitely) or special category visa (ie your current visa allows you to stay and work in Australia as long as you remain a New Zealand citizen)

- you have made an effective claim (see s. 14).

You must meet all of the above requirements to be eligible for FEG assistance.

Exclusions from eligibility

FEG is a scheme for employees only. Other classes of workers, for example contractors and sub-contractors, are not eligible for assistance. Contract outworkers in the textile clothing and footwear industry may be covered under a special scheme for employees in that industry.

Some classes of employees are also ineligible for FEG assistance. You will be ineligible for assistance under the FEG Act if:

- you were a director of the company or you were the relative (as defined by the *Corporations Act 2001*) of an employee director at any time in the 12 months before the insolvency event
- you converted from contractor status to employee status with the same employer within 6 months of the insolvency event
- your former employer was within the scope of the Special Employee Entitlement Scheme for Ansett Group Employees (s. 13).

Making an effective claim

You must make an effective claim to be eligible for FEG assistance. It is important that you submit your claim as soon as possible because FEG has strict time limits.

To make an effective claim, you must:

- lodge a FEG claim form
- include all mandatory information and documentation requested on the form
- lodge your claim no more than 12 months after the end of your employment or the date of the insolvency event (whichever is later) and
- lodge your claim before the discharge of your former employer's bankruptcy (if your employer was a bankrupt).

If your claim is not made within this timeframe, or does not include all required information and documentation, it will not be effective and you will not be eligible for FEG assistance.

For more information about lodging a FEG claim form, please refer to the [How do I apply for FEG assistance](#) fact sheet available on the [FEG website](#) (www.ag.gov.au/FEG).

How can you help?

While information provided by the insolvency practitioner is generally relied upon, it is important that you provide as much information as possible to decide if you are eligible for FEG assistance and, if so, to work out the amount of assistance you are eligible for.

The information contained in this fact sheet is of a general nature and explains, in summary form, the intended operation of the *Fair Entitlements Guarantee Act 2012* - it is not legal advice. Where necessary, you should seek your own independent legal advice relevant to your particular circumstances. The Commonwealth does not make any representation or warranty about the accuracy, reliability, currency or completeness of the information contained in this fact sheet and is not liable for any loss resulting from any action taken or reliance made by you on the information contained in this fact sheet.

For more information about the type of information you should provide please refer to the [How do I apply for FEG assistance](#) fact sheet available on the [FEG website](#) (www.ag.gov.au/FEG).

Want more information?

You can contact the FEG Hotline if you would like more information about eligibility for FEG assistance. To contact the FEG Hotline:

- 1300 135 040
Mon - Fri, 9 am - 5 pm (AEST/ADST)
- email FEG@jobs.gov.au.

If you speak a language other than English, call the Translating and Interpreting Service (TIS) on 13 14 50 for free help anytime. If you speak an Indigenous language, call the Aboriginal Interpreter Service on 1800 334 944.

Further information is also available on the [FEG website](#) (www.ag.gov.au/feg).