



ASIC

Australian Securities &  
Investments Commission

## ASIC DIGS UP INVESTORS' WORM PROBLEMS

Following numerous complaints the Australian Securities and Investments Commission (ASIC) today urged people to carry out proper research before entering into contracts to grow worms.

ASIC has become aware of problems in two companies offering worm growing contracts. The first, Network Composting Systems Pty Ltd went into voluntary administration on 26 August 1998 and on 23 October 1998, creditors voted to place the company into liquidation.

Network's advertisements offered growers "\$300 pw for approx five hours work each week growing worms for us at home its fun and easy. Total investment \$2,900 with a full money back guarantee".

Hundreds of people responded to the advertisements and entered into contracts. Approximately \$1.4M was paid to Network under these contracts.

Under the contract the grower agreed to pay Network \$3,000 for Network to supply worms and plans to enable the grower to build and equip a worm farm; Network agreed to purchase worms from the grower for at least \$30 per kilogram with a guaranteed purchase of worms to the value of \$15,600 in the first 12 months.

If Network defaulted, the contract provided for a refund of the \$3,000 less any amounts already paid.

In May 1998, Network told growers it would not be taking any more worms. Some growers who had already supplied worms had not received payment at that stage and subsequently complained to ASIC.

Network's liquidator was appointed shortly after ASIC inquiries began and has indicated that Network is not in a position to make the refunds as guaranteed under the contracts and creditors are not likely to receive any dividend from the winding up.

Network is the fourth worm company to attract ASIC's attention. ASIC has been monitoring the operation of worm companies Steinmark Pty Ltd, Wally Worm Pty Ltd and Enviro Farms Pty Ltd. These companies were all engaged in worm farming schemes.

A further company is being monitored by ASIC. It operates in a similar way to Network and it recently informed growers that it could not continue to purchase worms. The company does not have the funds to make the guaranteed refunds, but it appears the company is negotiating contracts which may provide a market for the growers.

MEDIA RELEASE

The company has contacted growers and sought a release from the refund clause in the contract - ASIC warns growers to be careful and get advice before agreeing.

These types of contractual arrangements between the companies and growers are not the type of investments that are regulated by ASIC, but ASIC is trying to ensure that the companies comply with the Corporations Law, do not trade while they are insolvent and that the funds they have raised are properly accounted for.

ACT Regional Commissioner Greg Tanzer warned potential investors of the high risk in these type of schemes and said they should do their homework before investing.

“This is a real case of buyer beware,” Mr Tanzer said.

“There are a number of ways investors can protect themselves from losing their money. With worm contracts, they should satisfy themselves that the conditions of the contract are capable of being met. That is, at the end of the day there is or will be a market for the worms they grow and the company has enough funds to honour its guarantees.”

“They can also make inquiries with ASIC through our Business Centres to check on the history of the company or contact our Infoline on **1300 300 630** for a list of information brokers who can provide the information. Alternatively, they can get the information from our home page at [www.asic.gov.au](http://www.asic.gov.au).”

**For further information contact  
Greg Tanzer  
ACT Regional Commissioner  
Telephone (02) 6250 3887  
ASIC 98/359**

**Issued by:  
ASIC Media Unit  
Tel (02) 9911 2683**