

**Roamfree Ltd**  
**(Administrators Appointed)**  
**ACN: 118 452 190**

**Report by Administrators Pursuant to**  
**Section 439A(4)(a) of**  
**The Corporations Act 2001**

**Tim Michael**

**Will Colwell**

22 September 2009



**FERRIER HODGSON**  
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## **Table of contents**

<b>Glossary of terms</b>	<b>1</b>
<b>Listing of annexures</b>	<b>1</b>
<b>1. Executive summary</b>	<b>2</b>
<b>2. Introduction</b>	<b>2</b>
<b>3. Company information</b>	<b>4</b>
<b>4. Historical financial information</b>	<b>6</b>
<b>5. Statement by directors</b>	<b>8</b>
<b>6. Business sales – post appointment</b>	<b>14</b>
<b>7. Business sale – pre appointment – Travel Online</b>	<b>15</b>
<b>8. Statutory investigations</b>	<b>15</b>
<b>9. Creditors’ options, dividend estimates and cost estimates</b>	<b>25</b>
<b>10. Administrators’ opinion</b>	<b>26</b>
<b>11. Administrators’ remuneration report</b>	<b>26</b>
<b>12. Further queries</b>	<b>26</b>

## Glossary of terms

Abbreviation	Description
ABN	Australian Business Number
ACN	Australian Company Number
Act	The Corporations Act 2001
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
Company	Roamfree Ltd
DOCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
GEERS	General Employee Entitlements Redundancy Scheme
GH	Graeme Hunter
Group or Roamfree Group	Roamfree Ltd, its subsidiaries and majority owned Tourism Technology
IPA	Insolvency Practitioners Association of Australia
NAB	National Australia Bank
SGC	Superannuation Guarantee Charge
Statement	Directors' Statement about the Company's Business, Property, Affairs and Financial Circumstances
TT	Tourism Technology
TW	Taylor Woodings

## Listing of annexures

Annexure No.	Description
Annexure 1	Corporate Structure – Roamfree Group
Annexure 2	Status of Roamfree Group of Companies
Annexure 3	IPA – Creditor Information Sheet – Offences, Recoverable Transactions and Insolvent Trading
Annexure 4	Administrators' Remuneration Report



## 1. Executive summary

My partner, Will Colwell, and I were appointed Administrators of the Company on Monday 24 August 2009, pursuant to Section 436A of the Act.

Creditors ratified our appointment as Administrators at the first meeting of creditors held on Thursday 3 September 2009. A Committee of Creditors was not formed.

Investigations undertaken to date are detailed in section 8 of this report.

The second meeting of creditors is convened for 10:30am on Monday 28 September 2009, and will be held at the office of Ferrier Hodgson, Level 7, 145 Eagle Street, Brisbane Qld.

There is no proposal for a DOCA.

In the absence of a proposal for a DOCA, my opinion is that, for the reasons set out in this report, the Company should be wound up.

It is my opinion that it is in the best interests of creditors that the meeting of creditors to vote on whether to wind up the Company be adjourned for up to, but not exceeding, 45 business days to allow:

- Current negotiations for the sale of the Roamfree.com and BookEasy businesses to complete without any negative implications arising from the Company entering liquidation;
- Further progress regarding disputed management fees and intercompany loan between the Company and TT; and
- Further progress regarding a valuation and sale of the Companies interest in TT.

It is my intention that the meeting of creditors be reconvened as soon as practicable after settlement of the abovementioned sale and satisfaction of all contract obligations.

In the event the Company is wound up, I estimate a dividend payable to unsecured creditors of between 4-6 cents in the dollar.

## 2. Introduction

### 2.1 Purpose of appointment and this report

My partner, Will Colwell, and I were appointed Administrators of the Company on 24 August 2009, pursuant to Section 436A of the Act.

The purpose underlying an Administrator's appointment is to allow for independent control and investigation of an insolvent Company's affairs. During the administration period, creditors' claims are put on hold. I am required to provide creditors with information and recommendations to assist creditors decide upon the Company's future.

Section 439A(4) of the Act explains the purpose of an Administrator's report in providing that the notice (of second meeting) must be accompanied by a copy of:



- (a) A report by the Administrator about the Company's business, property, affairs and financial circumstances; and
- (b) A statement setting out the Administrator's opinion about each of the following matters:
- Whether it would be in the creditors' interests for the Company to execute a DOCA;
  - Whether it would be in the creditors' interest for the administration to end;
  - Whether it would be in the creditors' interest for the Company to be wound up; and
  - His or her reasons for those opinions and provide such other information known to the Administrator as will enable the creditors to make an informed decision about each of the above matters; and
- (c) If a DOCA is proposed – a statement setting out details of the proposed deed.

## **2.2 First meeting of creditors and committee of creditors**

Creditors attended a first meeting of creditors held at my office on 3 September 2009. At that meeting, creditors ratified my and Will Colwell's appointment as Administrators of the Company. Creditors resolved not to appoint a Committee of Creditors.

## **2.3 Second meeting of creditors**

Pursuant to Section 439A of the Act, the second meeting of creditors of the Company is convened for 10:30am on 28 September 2009 at Level 7, 145 Eagle St, Brisbane, Qld.

At the second meeting, creditors will decide the Company's future in voting on one of the following options:

- That the administration should end and control of the Company revert to its directors; or
- That the Company should be wound up.

The directors have advised of their intention not to submit a proposal for a DOCA.

## **2.4 Non disclosure of certain information**

There are sections of this report wherein I considered it inappropriate to disclose certain information to creditors. Such information includes valuations of specific assets and business'.

I fully recognise the need to provide creditors with complete disclosure of all necessary information relating to the Company. However, I believe this information is commercially sensitive and it is not in creditors' interests for me to disclose the information publicly at this stage.

## **2.5 Declaration of independence, relevant relationships and indemnities**

The Administrators provided a Declaration of Independence, Relevant Relationships and Indemnities to creditors with their first circular to creditors and also tabled the declaration at the first meeting of creditors.

There has been no change in the declaration since that time.



Will Colwell and I are partners of Ferrier Hodgson. Ferrier Hodgson is Australia's and the Asia-Pacific's largest independent corporate restructuring practice with 47 partners and over 440 staff throughout Australia, New Zealand and Asia. Ferrier Hodgson does not provide accounting, audit, legal or taxation services.

Will Colwell is a Chartered Accountant, Registered Liquidator and member of the IPA with over 22 years experience in corporate insolvency.

I am also a Chartered Accountant, Registered Liquidator and member of the IPA with over 18 years experience in corporate insolvency.

Further information regarding Ferrier Hodgson and the Administrators can be obtained from the firm's website at [www.ferrierhodgson.com](http://www.ferrierhodgson.com).

## 2.6 Summary of receipts and payments

A summary of the Administrators' receipts and payments for the period 24 August 2009 to 28 September 2009 is included within Part B of the Administrators' Remuneration Report in Annexure 4.

## 3. Company information

### 3.1 Statutory information

A search of the ASIC database revealed the following information.

#### 3.1.1 Incorporation date and registered office

The ASIC search discloses the Company's incorporation date as. The Company's registered office is listed as Gateway Building, Level 5, 50 Appell Street, Surfers Paradise Qld 4217.

#### 3.1.2 Company officers

The ASIC database discloses the Company's officers over the past 12 months to be:

Name	Role	Appointment Date	Cessation Date
Terence O'Dwyer	Director	21 May 2007	Current
Warren Lee	Director	13 September 2007	Current
Mark Frawley	Director	21 February 2006	Current
Bryan Frawley	Director	24 April 2006	28 May 2009
Anthony Smith	Director	21 February 2006	2 May 2008
Terence O'Dwyer	Director	21 February 2006	24 April 2006
Ermi Avoledo	Secretary	21 February 2006	Current

Bryan Frawley was a Director and one of the founders of ResOnline, a business which was acquired by Roamfree in early 2006. He was actively engaged in the business until 30 June 2008.

From 30 June 2008, Bryan Frawley had no Executive Directorship role and assumed a Non Executive Director role, for which he was not paid. He started a new business, IBookers, which was unrelated to Roamfree, and in February 2009 moved to Bali to reside for 10 months.



Due to the commitments of the new business and his overseas domicile, which did not allow for the participation required by the board, he elected to resign in May 2009.

A search of the National Personal Insolvency Index, maintained by the Insolvency Trustee Service Australia, shows that the Company's directors are not bankrupt or subject to a Personal Insolvency Agreement under Part X of the Bankruptcy Act 1966.

### 3.1.3 Shareholders

The ASIC database discloses the Company's shareholders to be:

Shareholders	Ordinary Shares	Class A Shares
Cherlink Pty Ltd ATF the Mark and Lisa Frawley Family Trust	1,000,000	800,000
Cherlink Pty Ltd ATF the Frawley Roamfree Trust	35,000,000	28,000,000
Lisab Pty Ltd	4,000,000	3,200,000
Mattmon Investments Pty Ltd	1,500,000	1,200,000
Andrew Crook and Therese Crook ATF AJ & TM Crook Super Fund	1,000,000	800,000
Aqua Vista Resort Management Pty Ltd	1,000,000	800,000
M A Frawley Nominees Pty Ltd	1,000,000	800,000
Yelwarf Pty Ltd ATF The Peter and Fiona Frawley Family Trust	1,000,000	800,000
Hookley Pty Ltd	800,000	640,000
Aecon Investments Pty Ltd ATF Aecon Investment Trust	500,000	400,000
Oz-Sumo Pty Ltd	500,000	400,000
Andellen Investments Pty Ltd	500,000	400,000
Melbry Pty Ltd ATF the Bryan and Melinda Family Trust	500,000	400,000
Salgud Pty Ltd ATF the Salgad Family Trust	500,000	400,000
Diana Frawley ATF K & D Frawley Family Trust	500,000	400,000
Gig (Qld) Pty Ltd	500,000	400,000
Glenn Checkley	100,000	80,000
Ermi Avoledo	50,000	40,000
Alison McCallum	50,000	40,000
APN Online (Australia) Pty Ltd	22,500,000	-
<b>Total</b>	<b>72,500,000</b>	<b>40,000,000</b>

There has been no material change in the Company's shareholders since December 2008.

### 3.1.4 Registered chargeholder

There are currently no charges held over assets of the Company.

The National Australia Bank previously held fixed and floating charges over the assets of the Company and the Group, however this debt was repaid on 14 August 2009 and the charges released.

## 3.2 Summary of Roamfree Group companies

**Attached** as Annexure 1 is the corporate structure of the Roamfree Group.



**Attached** as Annexure 2 is a high level summary of the status of subsidiary companies in the Group and whether they trade, employ or own assets and particulars of these assets where applicable.

My focus to date has been in relation to the marginal/loss making Tier One and Tier Two subsidiaries, excluding Tourism Technology.

In section 6 of this report, I address the Administrators' current efforts to maximise the realisation of investments in and loans owing by all Tier One and Tier Two companies, except Tourism Technology.

Because of its entirely independent and profitable performance, the sale of the Company's interest in Tourism Technology requires a more orderly approach which will commence after completing the sale of the Group's other operating businesses.

### **3.3 Company history**

Incorporated on 21 February 2006 in Queensland, the Company was originally known as Roamfree Holdings Ltd before changing name on 22 August 2006 to Roamfree Ltd. The registered address for the Company is Level 1, 50 Appel Street, Surfers Paradise Qld 4217.

The Company acts as a holding entity for four companies that trade, being Roamfree Pacific Pty Ltd, Roamfree International Pty Ltd, BookEasy Pty Ltd and Tourism Technology Pty Ltd.

Roamfree Pacific Pty Ltd and Roamfree International Pty Ltd own and operate the business of Roamfree Advanced, incorporating ResOnline and Last Minute Manager. The business of ResOnline and Last Minute Manager was acquired in mid 2006, together with approximately 300 clients. Roamfree Pacific then undertook substantial inhouse development to enhance the operating systems and launched the rebranded new operation as Roamfree Advanced in October 2007. The business now has around 1500 clients.

Roamfree Pacific Pty Ltd also owns and operates Roamfree.com and Roamfree Affiliate network which is an online accommodation search engine. This was developed in house with multilingual and multicurrency capacity in order to have a global application. Roamfree.com was launched in July 2007.

BookEasy Pty Ltd operates a software operating platform used by more than 130 visitor centres throughout Australia. This business was acquired in December 2006.

Tourism Technology Pty Ltd is the creator and owner of the Calypso Wholesale Travel System used by most of the leading wholesalers in Australia and New Zealand, and for the past 16 years has provided packaging and distribution systems for these markets. The business has 55 staff, with offices in Sydney and Launceston.

## **4. Historical financial information**

### **4.1 Preparation of financial statements**

The Company's financial statements were prepared up to 30 June 2008, which were audited by DBSN Group.

At the time of my appointment, the Company had not prepared financial statements for the year ended 30 June 2009.



The Company did maintain management accounts and reports on a monthly basis.

At section 6.2.3 of this report, I comment on the adequacy of the Company's books and records.

## 4.2 Profit and loss statement and preliminary analysis

Set out below is a summary of the Company's profit and loss statement for the past three (3) financial years together with my preliminary analysis:

Profit and Loss Summary	24 August 2009		30 June 2009		30 June 2008		30 June 2007	
	\$	%	\$	%	\$	%	\$	%
Sales revenue					14,324		322,061	
Other income	328		22,700		586,336		-	
<b>Total revenue</b>	<b>328</b>		<b>22,700</b>		<b>600,660</b>		<b>322,061</b>	
Employee expense	-		-		(4,523,605)		(1,318,123)	
Other expense	(92,680)		(178,643)		(1,407,936)		(890,668)	
Borrowing and interest expense	(307,669)		(3,592,307)		(4,151,435)		(144,867)	
Depreciation and amortisation	(57,982)		(2,584,004)		(1,526,973)		(530,751)	
<b>Total expenses</b>	<b>(458,331)</b>		<b>(6,354,954)</b>		<b>(11,609,949)</b>		<b>(2,884,409)</b>	
<b>Profit/(loss)</b>	<b>(458,003)</b>		<b>(6,332,254)</b>		<b>(11,009,289)</b>		<b>(2,562,348)</b>	

As the Company had limited trading in its own right, it reported losses principally attributable to its borrowing costs and depreciation and amortisation.

As mentioned above, audited consolidated accounts were last prepared for the year ended 30 June 2008. These accounts reveal substantially increased losses of \$8,458,211 for 2007 and \$27,507,669 for 2008 relating to the losses being incurred in the subsidiary companies.

## 4.3 Balance sheet and preliminary analysis

Set out below is a summary of the Company's balance sheet for the past three (3) financial years, together with my preliminary analysis:

Balance Sheet	24 August 2009		30 June 2009		30 June 2008		30 June 2007	
	\$		\$		\$		\$	
<b>Assets</b>								
Cash and cash equivalents	132,625		99,632		655,906		584,416	
Trade and other receivables	581		5,282		-		50,194	
Other assets	1,301,094		1,201,997		1,440,729		1,532,805	
<b>Total current assets</b>	<b>1,434,300</b>		<b>1,306,911</b>		<b>2,096,635</b>		<b>2,167,415</b>	
Investments	18,727,870		18,727,870		3,884,242		3,399,738	
Property, plant and equipment	501,629		550,419		1,511,271		2,170,719	
Intangible assets	164,148		182,532		189,089		164,148	
Other assets	24,511,166		25,353,386		43,329,242		6,053,632	
<b>Total non current assets</b>	<b>43,904,813</b>		<b>44,814,207</b>		<b>48,913,844</b>		<b>6,053,632</b>	
<b>Total assets</b>	<b>45,339,113</b>		<b>46,121,117</b>		<b>51,010,479</b>		<b>13,955,652</b>	



Balance Sheet	24 August 2009	30 June 2009	30 June 2008	30 June 2007
	\$	\$	\$	\$
<b>Liabilities</b>				
Trade and other payables	2,284,770	1,866,772	366,859	409,157
Financial liabilities	-	604,214	104,214	104,214
Short-term provisions	-	-	60,926	28,554
<b>Total current liabilities</b>	<b>2,284,770</b>	<b>2,470,986</b>	<b>531,999</b>	<b>541,925</b>
Trade and other payables	-	-	-	-
Financial liabilities	40,946,589	41,084,373	41,188,184	1,221,933
<b>Total non current liabilities</b>	<b>40,946,589</b>	<b>41,084,373</b>	<b>41,188,184</b>	<b>1,221,933</b>
<b>Total liabilities</b>	<b>43,231,359</b>	<b>43,555,359</b>	<b>41,720,183</b>	<b>1,763,858</b>
<b>Surplus/(deficiency)</b>	<b>2,107,754</b>	<b>2,565,758</b>	<b>9,290,296</b>	<b>12,191,794</b>

In its own right, the Company reported a reducing surplus of assets over liabilities.

It is apparent however, that when the losses of the subsidiary companies are consolidated, the reported Company surplus of assets over liabilities of \$9,290,796 as at 30 June 2008 becomes an excess of liabilities over assets of \$12,823,665 on a group basis.

This consolidated negative net asset position continued in 2009 and in the year to date, to the extent of losses incurred in the Company (noted in section 4.2 above) and the losses being incurred in the subsidiaries.

The losses being incurred by the Company's subsidiaries as far back as 30 June 2008 calls into question the reported recoverable value of the loans to the subsidiaries.

## 5. Statement by directors

### 5.1 Summary

Section 438B of the Act requires the directors to give an Administrator a statement about the Company's business, property, affairs and financial circumstances. I received the directors' Statement on 2 September 2009.

In the Statement, the directors detailed the Company's assets and liabilities at book value and ERV. The following table summarises the assets and liabilities described in the directors' Statement:

Statement as at 24 August 2009	Report Reference	Cost or Net Book Value	Directors' ERV	Administrators' ERV	
				High	Low
		\$	\$	\$	\$
<b>Assets</b>					
Sundry debtors	5.1.1	(23,328)	0	0	0
BAS refund	5.1.2	9,860	9,860	9,860	9,860
Cash at bank and term deposit	5.1.3	137,756	137,756	128,215	128,215



Statement as at 24 August 2009	Report Reference	Cost or Net Book Value	Directors' ERV	Administrators' ERV	
				High	Low
		\$	\$	\$	\$
Plant and equipment	5.1.4	501,629	Unsure	4,042,587	3,070,000
Loans to and investments in subsidiaries	5.1.5	43,214,220	Unsure		
Other assets	5.1.6	1,461,730	Unsure		
<b>Subtotal</b>		<b>45,301,867</b>		<b>4,180,662</b>	<b>3,208,075</b>
Ordinary unsecured creditor claims	5.1.7	(43,220,070)	(43,220,070)	(57,500,000)	(65,000,000)
<b>Estimated surplus/(deficiency)</b>		<b>2,081,797</b>		<b>(53,319,338)</b>	<b>(61,791,925)</b>

### 5.1.1 Sundry debtors

The directors recorded in their Statement a negative receivable (a payable) of \$23,328, which was the balance of receivables in the Company's MYOB computer accounting records.

The directors have advised that this balance relates to an audit adjustment for the year ended 2008 and should be written off.

No amount is considered recoverable.

### 5.1.2 BAS refund

The directors recorded in their Statement a negative payable (a receivable) of net GST totalling \$9,860. I consider the full amount is recoverable.

I have written to the ATO requesting payment of the refund to me.

### 5.1.3 Cash at bank and term deposit

The Company operated one bank account with the NAB. I closed this account and received proceeds of \$105,096. These proceeds include customer payments totalling \$4,981 received after my appointment, belonging to Roamfree Pacific. These post appointment receipts were refunded to Roamfree Pacific. Accordingly, a net sum of \$100,115 was recovered.

The Company has a term deposit with the NAB of \$32,460, which supports a bank guarantee to the landlord of the premises at Gateway Building at Surfers Paradise. At the time of my appointment, the Company's rent was up to date. Subsequently, the landlord has advised of electricity charges for the month of July totalling \$2,291.57, which will be claimable by the landlord against the security deposit.

I expect similar unpaid electricity charges for the month of August.

Accordingly, a sum of approximately \$28,000 (\$32,460 - \$4,500) is expected to be realised upon the sale of the businesses which occupy the premises.

### 5.1.4 Plant and equipment

I engaged independent agents to prepare an inventory and valuation of the Company's plant and equipment.

Due to current sale negotiations, I have withheld the particulars of the valuation. Full particulars will be advised after settlement of the sale(s) the subject of current negotiations.

## 5.1.5 Loans to and investments in subsidiaries

The directors recorded in their Statement loans to and investments in subsidiaries totalling \$24,486,350 and \$18,727,870 respectively. The directors have subsequently advised an increased position regarding loans to subsidiaries now totalling \$24,511,166. The loans and investments in subsidiaries are as follows:

Subsidiary	Roamfree Loans	Roamfree Investments	Total
	\$	\$	\$
Roamfree Pacific Pty Ltd	2,034,408	2,700,934	23,045,342
Roamfree Technology Pty Ltd	9,603,444	0	9,603,444
BookEasy Australia Pty Ltd	268,186	0	268,186
Roamfree IP Rewards Pty Ltd	89,680	0	89,680
Queensberry Information Technology	13,549	0	13,549
Roamfree Asia Pty Ltd	4,480	0	4,480
Global Accommodation Search Pt	1,009	0	1,009
RF Rewards Pty Ltd	867	0	867
Roamfree Accommodation Service	867	0	867
Roamfree Europe Pty Ltd	802	0	802
Roamfree North America Pty Ltd	802	0	802
Roamfree Lending Unit Trust	784	0	784
Roamfree South America Pty Ltd	590	0	590
Roamfree Ltd (NZ)	432	0	432
Roamfree International Pty Ltd	(1,437,359)	260,000	(1,177,359)
Tourism Technology	(4,381,375)	15,766,916	11,385,541
<b>Total</b>	<b>24,511,166</b>	<b>18,727,870</b>	<b>43,239,036</b>

Roamfree has a registered charge over Roamfree Pacific to secure repayment of the loans, to the extent of the realisable assets in that subsidiary.

### 5.1.5.1 Loans less than \$5,000

Cognisant of costs, I have not investigated the loans to and investments in the subsidiaries with a book value of less than \$5,000. My preliminary view, supported by feedback from the directors, is no amount is expected to be recoverable.

### 5.1.5.2 Loan to Roamfree IP Rewards

This loan relates to funds advanced by the Company to establish a card loyalty business that has ceased to operate. No amount is considered to be recoverable.



### 5.1.5.3 All other loans, except TT

In respect of the loans and investments in Roamfree Pacific, Roamfree Technology, Queensberry Information Technology, BookEasy Australia Pty Ltd and Roamfree International, I advise that the realisable value is dependent on contract terms currently being negotiated with preferred bidders. For illustrative purposes only, I have adopted a range of \$250,000 to \$450,000 from the sale of these businesses in my dividend estimates in section 9.2.

The negative asset loan (ie loan liability) to Roamfree International Pty Ltd (“International”) arose in respect of funds transferred from International to a high yielding bank account in the name of the Company. The funds were repaid via payment direct to Roamfree Pacific.

Accordingly, the Company’s records need adjusting to reflect no loan owed to Roamfree International and a reduction in the loan owed to the Company by Roamfree Pacific.

### 5.1.5.4 Tourism Technology

In respect of the TT loan liability and investment, I advise that the realisable value will be dependent on:

- Legal advice regarding management fees charged by Roamfree to TT;
- The yet to be commenced program for the sale of the Company’s interest in TT. In this respect, I highlight the following:
  - Roamfree purchased 90% of the shares of TT in 2007 for \$15m, based on a multiple of 5 times EBITDA of \$3.0m;
  - The current EBITDA of TT is in the range of \$1.0-\$2.0m;
  - I have not obtained a valuation to observe current multiples for a business of this type, but expect it to be less than the multiple paid by the Company in 2007; and
  - I summarise in the matrix below the gross sale value that could arise from a sale of 100% of the shares of TT at multiples ranging between 2.5 and 4.5 times an EBITDA range of \$1.0-2.0m:

		Multiple (times)				
		2.5	3.0	3.5	4.0	4.5
EBITDA	1.0m	2.5	3.0	3.5	4.0	4.5
	1.25m	3.125	3.75	4.375	5.0	5.625
	1.5m	3.75	4.5	5.25	6.0	6.75
	1.75m	4.375	5.25	6.125	7.0	7.875
	2.0m	5.0	6.0	7.0	8.0	9.0

- Legal advice regarding the validity of the purported termination by GH of the original sale agreement which has the effect of withdrawing GH’s prior exercise of the put option to sell the remaining 10% shares in TT to Roamfree.

The effect of such is that instead of GH being a creditor for \$1.68m, being the unpaid price of the put option, and the Company having 100% of the shares in TT, Mr Hunter is not a creditor for \$1.68m but retains the 10% share in TT.



The Administrators await preliminary legal advice on the validity of the purported termination of the sale agreement and the effect of separate clauses in the shareholders agreement, which give rise to an obligation on the Company to pay GH \$1.68m at any time, when the Company wishes to sell 100% of TT's share. This latter requirement however needs to be considered in light of GH's earlier notice exercising his put option to sell to the Company his 10% shareholding in TT. Hence, there may be no obligation to pay GH if the Company is already the owner of the 10% shares and GH is a creditor for \$1.68m.

For illustrative purposes, in my dividend estimates in section 9.2, I have adopted a sale assuming a multiple range of 3.0-4.0 times EBITDA of \$1.5m, grossing \$4.5-5.25m. Out of conservatism, and for illustrative purposes only, I have also deducted the \$1.68m payment to GH in each estimate.

Further investigation is required regarding a discrepancy between the amount recorded by the Company as owed to TT of \$4,381,375, and the debt of \$1,528,220 claimed by TT in their proof of debt submitted to the Administrators.

### 5.1.6 Other assets

The directors recorded in their Statement the following other assets (not included in other categories):

	\$
Other prepayments (option accounting)	1,211,990
Other intangibles	164,148
Prepaid insurance and interest (insurance loan)	89,194
TFN credits	581
Other deposits	217
<b>Total</b>	<b>1,466,130</b>

The largest item, "Other prepayments (option accounting) - \$1,211,990", relates to a five year agreement entered into with GOA in August 2007, whereby GOA would provide Roamfree with a maximum of \$6,000,000 worth of advertising billboard space between 1 July 2007 and 30 June 2012, and Roamfree Ltd would provide share options to GOA on the basis of 1 share for each \$5 of advertising billboard space provided.

Roamfree has advised that GOA has provided \$2,500,000 worth of advertising billboard space to the Company to date.

The prepayment represents advertising relating to the remainder of the option term.

The second largest item, "Other intangibles - \$164,148", relates to capitalised costs associated with the development of a card loyalty business named "Roamfree Rewards" that has ceased to operate, and costs relating to the original purchase of the Roamfree name.

The third largest item, "Prepaid insurance and interest (insurance loan) - \$89,194", is connected with the insurance loan liability of \$66,607 reported by the directors. Upon eventual cancellation of the Company's insurance policy, a refund of the difference of \$22,587 may be recoverable.

Cognisant of costs, I have not fully investigated the circumstances relating to the Company's accounting treatment to record such items as assets.



My preliminary view, supported by feedback from the directors, is that no amount is expected to be recoverable, or if some value is realisable, it will form part of the funds realised from the sale of the Company's subsidiary businesses considered at sections 5.1.5 and 6.

### 5.1.7 Ordinary unsecured creditors

The directors in their Statement recorded debts owed to creditors as follows:

	\$
TEEN Convertible Noteholders	40,000,000
TEEN Convertible Noteholders interest	2,201,236
Liability to settle options in cash	946,589
Insurance loan	66,607
Sundry creditors	5,638
<b>Total</b>	<b>43,220,070</b>

In respect of the debt owed to noteholders, legal advice will need to be obtained regarding the application of clause 2.4 of the Terms and Conditions of Issue of TEENs and the individual circumstances of each noteholder. Clause 2.4 has the potential of an uplift of the noteholders' debt. Since 1 July 2009, the uplift entitlement was 50%.

I have not examined the Company's records for each noteholder to ascertain the issue of Redemption Notices by the noteholders.

In my low dividend estimate in section 9.2, I have assumed an uplift to all noteholders and accordingly record an increased debt owed to noteholders of \$60,000,000 plus interest.

In the high dividend estimate, I have assumed an uplift of \$12.5m relating to Event Redemption Notices received prior to the appointment of Administrators and accordingly record an increased debt owed to noteholders of \$52,500,000 plus interest.

The option liability relates to a requirement to settle options in cash arising from business acquisitions and advertising agreements. My investigations indicate a potentially reduced liability of \$353,935.

Based on formal proofs of debt received to date and the Company's records, I estimate the Company's liability to unsecured creditors to be in the range of \$57.5-65m. This figure is subject to the receipt and adjudication of final proofs of debt from creditors.

### 5.1.8 Related entities

The directors have recorded negative asset loans (ie liability loans) owed by the Company to the following related entities:

Related Entity	\$
Roamfree International Pty Ltd	1,487,359
Tourism Technology	4,340,755
<b>Total</b>	<b>5,828,114</b>

I have outlined my preliminary consideration of both loans in sections 5.1.5.3 and 5.1.5.4.

### 5.1.9 Omissions from Statement

The only material matter not included in the directors' Statement is in relation to the non inclusion of the liability of \$1.68m payable to GH following his exercise of a put option requiring the Company to acquire the 10% of the shares in TT not acquired in 2007.

It seems likely that the directors did not include the debt on the basis of a notice issued by GH on 1 September 2009, that purported to terminate the sale agreement (that gave rise to the put option), which has the effect of retracting the put option and with it the liability to pay \$1.68m to GH.

## 5.2 Explanation for current financial position

The directors' explanation for the Company's current financial position is as follows:

- A debt profile and capital structure designed to meet much higher growth expectations than the Company actually achieved;
- An investment in technology and systems aimed at securing a global presence in the online accommodation industry which did not eventuate;
- The inflexibility of their banker in requesting rapid pay down of the bank facility;
- Cash flow being less than anticipated, and less than needed to service obligations, due in part to a global economic downturn and competitors' aggressive actions in regard to providing Roamfree.com inventory and the ability for Roamfree Advanced to update all major websites;
- Inability to reach acceptable restructuring terms with convertible noteholders; and
- Inability to reach agreement on payment plan with GH for his put option regarding his shareholding in TT.

My preliminary view is that the Company failed because of the reasons outlined by the directors, and I am not aware of any material facts that suggest otherwise.

## 6. Business sales – post appointment

Given the critical cash position of all subsidiaries, excluding Tourism Technology, I have assisted the director to conduct a sale campaign for the business and assets of Roamfree Pacific, Roamfree Advanced, BookEasy and Roamfree.com.

At the time of writing this report, the director of these entities has accepted an offer and is negotiating a contract of sale.

I will update creditors in this respect at the second meeting of creditors on 28 September 2009.

### 6.1 Advertisements

Advertisements were placed in the *The Gold Coast Bulletin*, *The Courier Mail*, *The Sydney Morning Herald*, *The Melbourne Age*, *The West Australian* and *The Australian Financial Review*.



## **6.2 Expressions of interest**

To date, 63 parties have expressed interest in the businesses of the Roamfree Group. A large proportion of these enquiries were for the business of Tourism Technology, which will be retained for the forthcoming sale program.

## **6.3 Information memorandum**

An Information Memorandum was prepared and sent to 31 parties who signed a Confidentiality Agreement.

## **6.4 Offers to purchase**

By the deadline of 7 September 2009, two offers were received.

## **6.5 Contract of sale**

Negotiations with the preferred party are progressing with execution and settlement anticipated in the week commencing 21 September 2009.

# **7. Business sale – pre appointment – Travel Online**

Travel Online Pty Ltd was a business that operated independently of the core Roamfree businesses, and its sale provided the Group with necessary working capital.

The board obtained an independent valuation of the shares of Roamfree eTourism Pty Ltd which owned 100% of the issued capital of Travel Online Pty Ltd, and agreed to sell the shares for \$3.669m, which was greater than the valuation range. The sale completed in June 2009.

# **8. Statutory investigations**

## **8.1 Nature and scope of review**

The Act requires an administrator to carry out preliminary investigations into a company's business, property, affairs and financial circumstances.

Investigations centre on transactions entered into by the company that a liquidator might seek to void or otherwise challenge where the company is wound up. Investigations allow an administrator to advise creditors what funds might become available to a liquidator, such that creditors can properly assess whether to accept a DOCA proposal or resolve to wind up the company.

Funds recovered would be available to the general body of unsecured creditors including secured creditors but only to the extent of any shortfall incurred after realising their security.

A liquidator may recover funds from each type of transaction detailed in the Creditor Information Sheet described in Annexure 3 of this report. A deed administrator does not have recourse to these voidable transactions. A liquidator may also recover funds through other avenues; for example, through action seeking compensation for insolvent trading or breach of director duties.

An administrator is not obliged to carry out investigations to the same extent as a liquidator. A liquidator may require many months of investigation and conduct public examinations before forming a concluded view on recovery action. I investigated matters to the extent possible in the time available. The dividend estimate in a liquidation scenario set out in section 8.2 of this report reflects the outcome of my investigations.

The Administrators' knowledge of the Company's affairs comes principally from the following sources:

- Communications with the Company's major unsecured creditors regarding the nature and amount of the debts owed. Those creditors confirmed that the details disclosed by the Company are substantially correct;
- The directors' Statement and a detailed questionnaire concerning the Company's affairs prepared by the directors;
- Discussions with the directors and their advisors;
- An independent valuation of the Company's property, plant and equipment obtained upon my instructions;
- A search of the ASIC records relating to the Company and any related entities;
- Searches obtained from the Queensland Transport and Land Titles offices; and
- An examination of the Company's books and records including its financial statements and management accounts.

## 8.2 The Company's solvency

### 8.2.1 Overview

A precursor to the recovery of funds by a liquidator through the voiding of certain transactions or through other legal action, such as seeking compensation from directors for insolvent trading, is establishing the Company's insolvency at the relevant time.

Establishing insolvency is a complex matter due in part to the complexity of corporate financial transactions and the lack of clear prescriptive legal authority on proof of insolvency. Notwithstanding, there are two primary tests used in determining a company's solvency, at a particular date, namely:

- Balance sheet test; and
- Cash flow or commercial test.

The Courts have widely used the cash flow or commercial test in determining a company's solvency at a particular date.

Section 95A of the Act also contains a definition of solvency. That definition reflects the commercial test in stating that a person is solvent if *"the person is able to pay all the person's debts as and when they become due and payable"*.

However, the commercial test is not the sole determinant of solvency. Determining solvency derives from a proper consideration of a company's financial position in its entirety and in the context of commercial reality. Relevant issues include, but are not limited to the following:

- Regard should be had to:
  - Cash resources; and
  - Monies available through asset realisations, borrowings against the security of assets or equity/capital raising;
- All a company's assets might not be relevant when considering solvency. For example, where a company proposes selling assets which are essential to its business operations, the proceeds of those assets should not be taken into account;
- The voluntary and temporary forbearance by creditors not to enforce payment terms; and
- It is not appropriate to base an assessment of whether a company can meet its liabilities as and when they fall due on the prospect that a company might trade profitably in the future.

In summary, it is a company's inability using such resources as are available to it through the use of its assets, or otherwise, to meet its debts as they fall due, which indicates insolvency.

### **8.2.2 Preliminary determination**

Set out below is a summary that I requested from the directors regarding the Company's dealings with its secured creditors and noteholders from June 2008 until the appointment of Administrators on 24 August 2009:

At April 2008, Roamfree Ltd had an approved bank facility of \$10.9m from the National Australia Bank ("NAB"), which was undrawn. This facility was reviewed in May 2008 and reduced to \$5m, with a further review date set for September 2008.

At that time (April 2008), the Company commenced sourcing an alternative financier. From April 2008 and up to August 2009, the Company canvassed financing with ANZ, CBA, Bank of Queensland, Westpac, Bankwest, and a number of non mainstream bank options. Terry O'Dwyer's firm, Lombard Backwell Capital, also actively sourced non bank finance.

At the 30 September 2008 review, the NAB further reduced the facility from \$5m to \$2.5m. During this time, the Company was in continual discussion with a number of potential financiers to obtain replacement funding, which would allow the Company to invest in growth and revenue generating strategies, and deliver the long term profitable business model envisaged.

From April 2008, significant cost cutting initiatives were implemented with the aim to deliver a cash flow positive result for the organic businesses of www.roamfree.com and Roamfree Advanced. These initiatives reduced the monthly cost base for these businesses from \$975,000 in March 2008 to \$320,000 in November 2008.

In mid December 2008, Backwell Lombard Capital completed negotiation with a Chinese government funded infrastructure company who committed \$8m funding, subject to their funds being available mid January. That seemed certain until the first week of January 2009 when they advised they were unlikely to be able to fund before mid April 2009, and could not even commit to that date due to uncertainty with their parent entity.

The December Challenger interest payment was made based on the expectation of this funding materialising. When the Company was informed in early January 2009 that the funding would be delayed, all noteholders were contacted by telephone or in person, and agreed to defer their interest payment for 30 days while the Company finalised funding arrangements. Two noteholders issued Notices of Default in January 2009, however subsequently withdrew same.

Following noteholders' agreement to defer interest payments, the Company reopened discussions with a number of potential funders and potential equity participants.

On 4 February 2009, the Company had been unable to finalise replacement funding and sent a further communication to all noteholders following a meeting with the senior noteholder group on Tuesday 3 February 2009. This communication advised all noteholders that the Company could not pay interest at the present time. The communication proposed some alternatives on a restructure of interest payment timing and capital restructure, which had been presented to the senior noteholder group.

It advised all noteholders that the attending noteholders had gone away to think about alternatives with the intent of making constructive suggestions on the way forward.

The board and a group of senior noteholders, who comprised \$33m of the \$40m in notes, explored in detail a number of possible restructuring alternatives between February and May 2009.

The NAB also indicated in March 2009 that they would not be extending their facility beyond the 30 June 2009 review period, but later said verbally they would consider an extension supported by an aggressive debt reduction program of \$200,000 per month. In June 2009, the NAB refused to confirm this in writing and confirmed they had no approval beyond the review date of 30 June 2009.

On 19 May 2009, Mark Frawley received an email from GH seeking a conclusion on the future indicating he would be willing to pursue two scenarios being either:

- The exercise of his 10% put option; or
- For him to acquire the Roamfree 90% interest in Tourism Technology.

He sought finalisation of this transaction by 30 June 2009.

Also in May 2009, the General Manager of the Travel Online business, Glenn Checkley, expressed interest in acquiring Travel Online, and subsequently entered into negotiations for its purchase.

These sale options were discussed favourably at the board meeting on 28 May 2009, as the board believed in the current business climate, the negotiated price was fair and reasonable, and in the absence of an alternative funder, the sales would enable the Company to meet the NAB obligation and also pursue the organic growth businesses of www.roamfree.com, Horizon Channel Management and Calypso Bedbank, which the board believed had significant potential and would deliver long term value to the stakeholders.

The sales would also allow the Company to fulfil the vendor obligations of the GH option of \$1.68m and the Byron vendors of \$700,000, which was under contract subject to finance, and which would revert to the original put option post 31 October 2009.

The board's intention on these sales was communicated to all noteholders on 9 June 2009, along with a request for noteholders to confirm their agreement to defer interest to 15 July 2009. This was the target date for agreement on restructure between the senior noteholder group and the Company.

The board resolved to sell Travel Online on 15 June 2009. Settlement was effected on 23 June 2009, the proceeds of which were used to reduce the NAB bank facility from \$2.5m to \$500,000 and for working capital.

On 30 June 2009, GH withdrew his offer for TT, and on 15 July 2009 issued his option notice requiring Roamfree Ltd to pay \$1.68m in cash within 14 days.

GH provided an extension to 14 August 2009, and then further extensions to 19 August 2009 and 24 August 2009, as the Company sought to secure funding to pay his option payment.

In May 2009, at the request of a group of senior noteholders, the Company appointed Taylor Woodings to review and report on the financial position of the Company to enable the noteholders to more fully understand the position of the Company and assist them in their negotiations for a capital restructure. In agreeing to such request, the Company obtained agreement from the group of senior noteholders to defer their rights.

The report was completed and sent to senior noteholders on 22 June 2009. Mark Frawley requested that the report be sent to all noteholders, however Challenger and RACQ requested the report initially only be circulated to the group of senior group noteholders, and the wider group approached once a unified restructure proposal was agreed between the board and the group of senior noteholders.

A proposal and term sheet from the senior noteholder group was received on 8 July 2009. A summary of the proposal is as follows:

Attached are the terms on which the “senior noteholders” are prepared to consider continuing to provide financial accommodation to Roamfree. Please note this agreement is indicative only and subject to:

1. The written agreement of **all** noteholders of Roamfree; and
2. Satisfactory legal documentation.

For clarity, the essence of the proposed restructure is as follows:

1. The TT business is to be retained by Roamfree;
2. Senior debt in an amount of \$2.5m is to be advanced to Roamfree to meet, amongst other things, the final payment for TT and to meet the unpaid December 2008 interest owing to some noteholders;
3. On the basis of point 1. occurring, noteholders propose to convert 50% of their respective holding of notes by value into collectively a fixed 49% of the equity in Roamfree;
4. The remaining Facility Limit of \$20m will be required to receive interest on a “pay if you can basis” – subject to a minimum quantum of debt in each year being serviced;
5. The new debt facility will be secured via a second ranking charge which will revert to first ranking upon the repayment in time of the \$2.5m senior debt facility;
6. TW will be required to undertake an amount of further financial due diligence (scope to be provided and agreed) and ongoing monitoring of the financial performance of the group; and
7. Legal and TW’s costs are to be borne by Roamfree – estimates to be provided.

Once your agreement to the attached terms is received, we see the next steps being broadly as follows:

1. TW commences final Due Diligence as soon as practicable;
2. Due Diligence report is received and confirms robustness of forecast financial information provided;
3. A meeting of all noteholders is called and the TW report and the proposed terms are provided to all noteholders for their consideration;
4. TW present the findings of their report to noteholders at the meeting;
5. Noteholders agree the proposed restructure;
6. All noteholder written consent is provided;
7. Senior Facility is funded;
8. Legal documentation occurs; and
9. Signing.

Please give me a call to discuss once you have had the opportunity to digest this proposal.

The proposal required the Company to obtain a minimum of \$2.5m in senior debt to meet the TT final payment, and also December noteholder interest.

A response to the term sheet was sent by the Company to the senior noteholder group on 27 July 2009.

On 31 July 2009, a response was received on behalf of the senior noteholders as follows:

In relation to Item 17 (d), provided a firm written commitment from the new Senior Debt financier is received by 7 August 2009, noteholders may consider entering into negotiation on the equity component. Please confirm your acceptance of the revised terms as attached by 7 August 2009.

During this period, the Company was in discussions via Backwell Lombard Capital with various parties expressing interest in taking the Senior Debt position, but could not obtain the required firm commitment by 7 August 2009.

On 10 August 2009, RACQ and Challenger, two of the group of senior noteholders, issued Notices of Default and Event Redemption Notices requiring payment by 24 August 2009.

The NAB was also pressing to have its loan facility and leases paid out. The Company was also keen to facilitate this, as it would assist in its endeavours to source an alternative financier who would assume the minimum Senior debt position required by the noteholders under their term sheet. On 14 August 2009, the TT facility of \$500,000 and the Roamfree Limited leases of \$217,000 with NAB were paid out and all NAB securities released.

The efforts to obtain finance continued until 17 August 2009, when it became apparent following a phone call and email exchange Challenger, that their position could not be changed.

The deadline for repayment under the default notices issued by Challenger and RACQ expired on 24 August 2009.

The option notice extension for GH also expired on 24 August 2009.

My independent investigation corroborates the directors' summary. **If creditors hold any information to the contrary, please advise me forthwith.**

As outlined in section 8.2.1, the test of insolvency is more focused on whether a company can meet its due and payable debts. Despite an excess of liabilities over assets, it appears based on various forbearances requested by the Company and agreed by noteholders, that no debt owed to noteholders, or to any other creditors, could be considered to have been due and payable until 15 July 2009.

Because the Company did not obtain noteholders' further agreement to defer interest beyond 15 July 2009, an argument exists that the Company became insolvent on 4 August 2009, being the date when July interest was payable under the Terms and Conditions of Issue of the TEENs.

While express (written) confirmation to defer interest beyond 15 July 2009 was not obtained, the directors consider, based on the 4 February 2009 communication to noteholders, that noteholders recognised that a deferral of interest payments would subsist until agreement and a restructure had been agreed with the group of senior noteholders.

In support of the directors' view is that no requests for interest or Event Default Notices were received from noteholders, until those issued by RACQ and Challenger on 10 August 2009 requiring payment on 24 August 2009.

While it is arguable that the Company became insolvent on 4 August 2009, it is my preliminary view that the Company became insolvent on 24 August 2009.

A liquidator would need to conduct further investigations, and possibly conduct public examinations of relevant parties, to ultimately determine whether the Company became insolvent at an earlier time.

### **8.2.3 Presumption of insolvency – inadequate books and records**

Failure to keep or retain adequate books and records in accordance with Section 286 of the Act provides a rebuttable presumption of insolvency under Section 588E of the Act. A liquidator can rely on the presumption of insolvency in litigation including:

- Compensation claims arising from insolvent trading; and
- Recovery of voidable transactions from related entities.

The presumption cannot be relied upon in the recovery of an unfair preference except where the recovery is sought from a related entity.

My preliminary view is that the Company maintained adequate books and records in accordance with Section 286. Accordingly, the presumption of insolvency under Section 588E would not be available.

## **8.3 Potential liquidator recoveries – voidable transactions**

### **8.3.1 Unfair preferences**

My preliminary investigation into the Company's affairs does not reveal any unfair preference payments.

### **8.3.2 Uncommercial transactions**

My preliminary investigations do not disclose any transactions of an uncommercial nature which may lead to recoveries by a liquidator in the event that the Company is wound up.

### **8.3.3 Unfair loans**

Based on my investigations to date, the Company was not a party to any unfair loans.

### **8.3.4 Unreasonable director-related transactions**

My preliminary investigations do not reveal any unreasonable director related transactions.

I have addressed in section 7 the Company's sale of the Travel Online business to an associated party and consider same to have been conducted on a bona fide arm's length basis with no benefit being derived for any party, to the detriment of the Company, its creditors and shareholders.

### **8.3.5 Obstruction of creditors' rights**

My investigations do not disclose any transactions intended to obstruct creditors' rights.

## **8.4 Potential liquidator recoveries – Insolvent trading**

### **8.4.1 Director liability**

Based on my analysis at Section 8.2.2, I stated my preliminary opinion that the Company became insolvent on 24 August 2009. Based on that analysis, and the directors' appointment of my partner Will Colwell and I as Administrators on that day, I have formed the preliminary view that the Company did not trade whilst it was insolvent.

## **8.5 Other potential liquidator recoveries**

### **8.5.1 Compensation for breach of director duties**

Based on my preliminary investigations, the directors have not breached their duties as directors in:

- Failing to act in good faith;
- Failing to discharge their duties with reasonable care and diligence;
- Improperly using their position or information; and
- Failing to avoid conflicts of interest.

### **8.5.2 Arrangements to avoid employee entitlements**

Based on my investigations to date, there has been no contravention of Part 5.8A of the Act by any person.

For a breach to occur, it is necessary to prove the actual intentions of the relevant person in entering into the transaction or agreement. The actual intention to deprive employee entitlements must be established, rather than simply establishing what a reasonable person in the circumstances might have **intended**. Therefore, a liquidator may conduct a public examination to properly investigate the intention of the party to determine if a breach occurred.

Further, a liquidator may obtain legal advice given apparent ambiguities within Part 5.8A of the Act. For example, where a transaction is entered into for bona fide commercial purposes, but has the residual effect of depriving employees of entitlements, a contravention may not occur.

## **8.6 Possible offences**

Based on preliminary investigations, I have not identified any offences the directors may have committed under the Act.

## **8.7 Other matters arising from investigations**

Creditors have raised a number of queries regarding the directors' conduct. I have addressed the material queries as follows:

### **8.7.1 Why was Challenger paid December interest, when the other noteholders were not?**

Challenger was paid December interest of \$108,287.68 on January 6 2009. This was paid in the belief that financing was due to be obtained by the Company early the following week, and once obtained all noteholders would be paid their December Interest. Challenger was persistent in their requests for payment. This payment was held back and only released when the Company believed it had secured a finance facility, the funds from which were expected to be settled early in the week commencing 5 January 2009.

The party which had committed to the funding then withdrew that commitment and advised that these funds would not be available until April 2009. The Company sought alternate financing from that point but was unable to source it.

### **8.7.2 What was the level of directors' remuneration and bonuses being paid?**

Bryan Frawley was paid no cash remuneration for the majority of the period early 2006 to 30 June 2008, but was paid options. The board approved cash remuneration, which commenced on 10 March 2008 through to June 30 2008. The total of this cash remuneration was \$29,613. From 30 June 2008, Bryan had no Executive Directorship role and assumed a Non Executive Director role for which he was not paid.

Terry O'Dwyer, Warren Lee and Tony Smith (while Tony was a Director) received no directors' fees or remuneration.

None of Bryan Frawley, Terry O'Dwyer, Warren Lee or Tony Smith currently receive any remuneration.

Mark Frawley received no directors' fees and was remunerated by way of options from late 2006 to 10 March 2008 for his full time engagement with the Company as Executive Director. He assumed the role of Managing Director in March 2008 and was paid a salary of \$200,000 per annum. This was reduced at Mark's election to \$150,000 on July 2009 and communicated to all noteholders.

Mark and Bryan Frawley only received the fixed salary above and did not receive any bonuses.



### 8.7.3 Have the directors or any associated or related entities submitted an expression of interest to purchase any component of Roamfree Ltd or its subsidiaries?

The Directors have not put forward an expression of interest to purchase any component of Roamfree offered for sale to date. The Directors will not be putting forward any expression of interest in Tourism Technology, the remaining asset for sale.

### 8.7.4 Have there been any excessive draw downs from Roamfree Ltd in the last 12 months?

There have been no excessive draw downs from Roamfree over the past 12 months, and in that period there has been significant reduction in the operating costs of the business.

### 8.7.5 Are the directors creditors of any Roamfree Ltd subsidiaries?

The directors are not creditors of any of the Roamfree Ltd subsidiaries.

## 8.8 Summary of potential liquidator recoveries

Set out below is a summary of the potential recoveries by a liquidator in the event the Company is wound up:

Potential Recovery Item	High	Low
	\$	\$
Unfair preferences	Nil	Nil
Uncommercial transactions	Nil	Nil
Unfair loans	Nil	Nil
Unreasonable director related transactions	Nil	Nil
Transactions undertaken to obstruct creditors' rights	Nil	Nil
Compensation from director for insolvent trading	Nil	Nil
Breaches of directors duties	Nil	Nil
Avoidance of employee entitlements	Nil	Nil
<b>Total</b>	Nil	Nil

## 8.9 Directors' ability to pay a liquidator's claims

On the basis that I have not identified any breach of the Act or directors' duty which may cause the directors to be liable to compensate the Company, I have not requested the directors to disclose their personal financial position.

Should this position change, I will request a statement of the personal financial position from each of the directors.

## 8.10 Report to ASIC

I will provide a report to ASIC, pursuant to section 438D of the Act, detailing the results of my investigations to date. My report is not available to the public.



## 9. Creditors' options, dividend estimates and cost estimates

Pursuant to Section 439A(4)(b) of the Act, I am required to provide creditors with a statement setting out my opinion on whether it is in the creditors' interests for the:

- Administration to end;
- Company to be wound up; or
- Company to execute a DOCA.

There is no proposal for a DOCA. Accordingly, creditors have the options of resolving that the administration end or resolving that the Company be wound up.

In forming my opinion, I considered an estimate of the dividend creditors might expect, and the likely costs, under each option.

### 9.1 Administration to end

Creditors may resolve that the administration should end if it appears the Company is solvent or, for some other reason, control of the Company should revert to its directors.

Based on my preliminary investigations and analysis of the Company's financial information, the Company is insolvent. There appears to be no valid commercial reason why control of the Company should revert to its directors.

If the administration were to end, there is no mechanism controlling an orderly realisation of assets and distribution to creditors. I am unable to say what the Company might ultimately pay creditors or what costs it might incur.

Therefore, my opinion is that it is not in the creditors' interest for the administration to end.

### 9.2 Winding up of Company

Based upon the information in this report, where the Company is wound up, I estimate a dividend to creditors as follows:

	High \$	Low \$
<b>Assets</b>		
BAS refund	9,860	9,860
Cash at bank and term deposit	128,215	128,215
Insurance refund	22,587	0
Loan to and investment in Tourism Technology	5,250,000	4,500,000
Option payment – GH	(1,680,000)	(1,680,000)
Loans to and investments in all other subsidiaries	450,000	250,000
<b>Total assets</b>	<b>4,180,662</b>	<b>3,208,075</b>
<b>Less: Realisation costs</b>		
• Advertising	(30,000)	(30,000)
• Legal	(50,000)	(75,000)
<b>Less: Priority claims</b>		
• Administrators' remuneration	(140,000)	(180,000)



	High	Low
	\$	\$
• Liquidators' remuneration	(120,000)	(160,000)
<b>Total priority claims</b>	<b>(340,000)</b>	<b>(445,000)</b>
<b>Total funds available to ordinary unsecured creditors</b>	<b>3,840,662</b>	<b>2,763,075</b>
<b>Unsecured creditor claims</b>	<b>57,500,000</b>	<b>65,000,000</b>
<b>Estimated dividend to ordinary unsecured creditors</b>	<b>6 cents/\$</b>	<b>4 cents/\$</b>

The above analysis provides a high and low estimate of the realisable value of the assets if the Company were wound up, based on the assumptions recorded in this report.

The costs of winding up the Company's affairs are estimated at between \$120,000 and \$160,000.

The above dividend calculations are an estimate only and may change due to:

- The amounts realised from the sale of assets;
- Total liabilities once proofs of debt are lodged and adjudicated upon; and
- Costs of the administration and liquidation resulting from additional issues arising.

I estimate that any return to creditors from a winding up of the Company will not occur until the first quarter of 2010 by reference to the time required to prepare for and conduct the program for the sale of the Company's interest in Tourism Technology.

## 10. Administrators' opinion

As stated in section 8.1 above, the option of the administration ending is clearly not viable. As no proposal for a DOCA has been submitted, the only remaining option available to creditors is to wind up the Company, which I recommend.

## 11. Administrators' remuneration report

Pursuant to Section 446E of the Act, I enclose as Annexure 4 the Administrators' Remuneration Report.

At the second meeting of creditors, I intend seeking approval of the remuneration set out in the remuneration report. Details of disbursements incurred are also included in the remuneration report.

## 12. Further queries

I will advise creditors in writing, if practicable, of any additional matter that comes to my attention after the dispatch of this report that, in my view, is material to creditors' deliberations.

In the meantime, should creditors have any queries, please do not hesitate to contact **Rhett Grasso** of this office.



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DATED this 18<sup>th</sup> day of September 2009.

**Tim Michael**  
**Administrator**



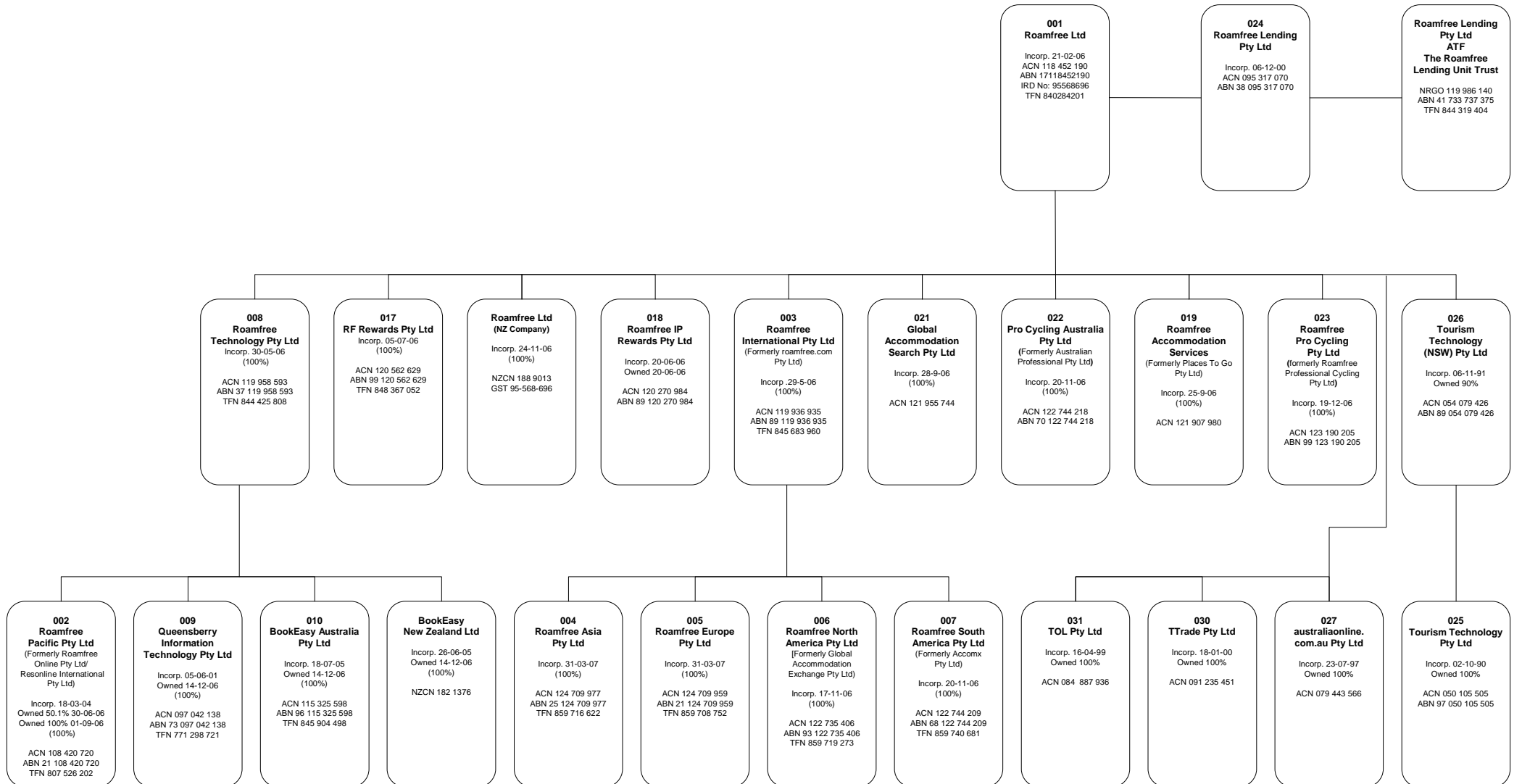
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# **Annexure 1**

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**Corporate Structure – Roamfree Group**

# Corporate Structure Detail





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# **Annexure 2**

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**Status of Roamfree Group Companies**

Roamfree Group Structure				
	Trading	Employ	Assets	Asset Details
<b>Parent Company</b>				
Roamfree Ltd	No	No	Yes	Investments in subsidiaries trading businesses Tourism Technology (90% Shareholding) Bank guarantee (Gold Coast office rent) IT & Office Plant & Equipment
<b>Tier One Subsidiaries</b>				
Roamfree Technology Pty Ltd	No	No	Yes	Investments in subsidiaries trading businesses
Roamfree International Pty Ltd	No	No	Yes	Client travel bank account
Ttrade Pty Ltd	Yes	No	Yes	Horizon Channel Management system
<b>Second Tier Subsidiaries</b>				
Roamfree Pacific Pty Ltd	Yes	Yes	Yes	Romfree.com and Roamfree Advanced businesses
Queensberry Information Technology Pty Ltd	Yes	Yes	Yes	Linked with BookEasy business
Bookeasy Australia Pty Ltd	Yes	Yes	Yes	BookEasy Business
Tourism Technology Pty Ltd	Yes	Yes	Yes	Sydney based. Travel and tourism booking business
<b>Dormant Companies</b>				
RF Rewards Pty Ltd	No	No	No	
Roamfree Ltd (NZ)	No	No	No	
Roamfree IP Rewards Pty Ltd	No	No	No	
Global Accommodation Search Pty Ltd	No	No	No	
Pro Cycling Australia Pty Ltd	No	No	No	
Roamfree Accommodation Services	No	No	No	
Roamfree Pro Cycling Pty Ltd	No	No	No	
Tourism Technology (NSW) Pty Ltd	No	No	No	
TOL Pty Ltd	No	No	No	
Australia online.com.au Pty Ltd	No	No	No	
Roamfree Asia Pty Ltd	No	No	Yes	Minor receivables due to company. Not commercial to collect and to be written off
Roamfree Europe Pty Ltd	No	No	Yes	Minor receivables due to company. Not commercial to collect and to be written off
Roamfree North America Pty Ltd	No	No	Yes	Minor receivables due to company. Not commercial to collect and to be written off
Roamfree South America Pty Ltd	No	No	Yes	Minor receivables due to company. Not commercial to collect and to be written off
Bookeasy New Zealand Ltd	No	No	No	



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# **Annexure 3**

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**IPA – Creditor Information Sheet  
Offences, Recoverable Transactions and Insolvent Trading**

# Creditor Information Sheet

## Offences, Recoverable transactions and Insolvent Trading



### Offences

A summary of offences that may be identified by the administrator:

180	Failure by officer to exercise a reasonable degree of care and diligence in the exercise of his powers and the discharge of his duties.
181	Failure to act in good faith.
182	Making improper use of position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of his position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for proper purpose. Use of position or information dishonestly to gain advantage or cause detriment.
206A	Contravening an order against taking part in management of a corporation.
206A, B	Taking part in management of corporation while being an insolvent under an administration.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of auditor.
314-7	Failure to comply with requirements for financial statement preparation.
437C	Performing or exercising a function or power as officer while a company is under administration.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to administrator.
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.

### Voidable Transactions

#### Preferences

A preference is a transaction such as a payment between the company and one or more of its creditors, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant time period is six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Where a creditor receives a preferred payment, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under either the Corporations Act.

#### Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into having regard to:

- the benefit or detriment to the company;
- the respective benefits to other parties; and,
- any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation. However, if a related entity is a party to the transaction, the time period is four years and if the intention of the transaction is to defeat creditors, the time period is ten years.



The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

### ***Unfair Loan***

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only have to have been entered into any time on or before the day when the winding up began.

### ***Arrangements to avoid employee entitlements***

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person. It will only be necessary to satisfy the court that there was a breach on the balance of probabilities. There is no time limit on when the transaction occurred.

### ***Unreasonable payments to directors***

Liquidators have the power to reclaim "unreasonable payments" made to directors by companies prior to liquidation. The provision relates to transactions made to, on behalf of, or for the benefit of, a director or close associate of a director. To fall within the scope of the section, the transaction **must** have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

### ***Voidable charges***

Certain charges are voidable by a liquidator:

- Floating charge created with six months of the liquidation unless it secures a subsequent advance;
- Unregistered charges; and
- Charges in favour of related parties who attempt to enforce the charge within 6 months of its creation.

### ***Insolvent Trading***

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they actually did so expect;
- they did not take part in management for illness or some other good reason; or,
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

**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.



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# **Annexure 4**

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## **Administrators' Remuneration Report**



## Corporations Act 2001

**Roamfree Ltd  
(Administrators Appointed)  
ACN: 118 452 190**

### Remuneration Report

The Administrators' Remuneration Report, prepared pursuant to IPAA Code of Professional Practice dated 31 December 2007, takes the following format.

#### **Part A**

- A1)** Schedule of hourly rates and general guide to staff experience
- A2)** Tasks undertaken by the Administrators and remuneration calculation for the period **24 August 2009 to 17 September 2009**.
- A3)** Schedule of the Administrators' anticipated tasks and remuneration estimate for the period **18 September 2009 to 28 September 2009**.
- A4)** Schedule of the **Liquidators'** anticipated tasks and remuneration estimate for the period **28 September 2009** to the completion of the liquidation.
- A5)** Resolutions to be put to creditors at the meeting convened for **28 September 2009**.

#### **Part B**

- B1)** Administrators' Disbursements.
- B2)** Summary of Receipts and Payments for the period **24 August 2009 to 18 September 2009**.
- B3)** Other creditor information on remuneration.



**PART A**

**A1) Schedule of Hourly Rates and General Guide To Staff Experience**

<b>Classification</b>	<b>Rate \$</b>	<b>Experience</b>
Partner/Appointee	510	The Partner/Appointee is a registered liquidator and member of the ICAA and IPAA bringing specialist skills to the administration or insolvency task. For specific experience and other details of the appointee/s, please visit our website at <a href="http://www.ferrierhodgson.com">www.ferrierhodgson.com</a>
Director	450	Generally, minimum of 12 years experience at least 2 years of which is to be at Manager level. University degree; member of the ICAA and IPAA with deep knowledge and lengthy experience in relevant insolvency legislation and issues.
Senior Manager	390	Generally, more than 7 years experience with at least 2 years as a Manager. University degree; member of the ICAA and IPAA; very strong knowledge of relevant insolvency legislation and issues.
Manager	325	Generally, 5-7 years chartered accounting or insolvency management experience. University degree; member of the ICAA and IPAA; sound knowledge of relevant insolvency legislation and issues.
Supervisor	290	Generally, 4-6 years chartered accounting or insolvency management experience. University degree; member of the ICAA; completing IPAA Insolvency Education Program. Good knowledge of relevant insolvency legislation and issues.
Senior 1	240	Generally, 2-4 years chartered accounting or insolvency management experience. University degree; completing the ICAA's CA, program. Good knowledge of basic insolvency legislation and issues.
Senior 2	220	Generally, 2-3 years chartered accounting or insolvency management experience. University degree, ICAA's CA program commenced.
Intermediate 1	170	0 to 2 years experience. Has completed or substantially completed a degree in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Intermediate 2/ Graduate	150	0 – 1 year's experience. Undertaking a degree part-time in finance/ accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Senior Secretary	140	Appropriate skills including machine usage.
Computer Operator	140	Appropriate skills including machine usage.
Clerk	100	Non-qualified person but has completed schooling. Classification will depend on experience, salary, whether undertaking a degree and complexity of work to be undertaken.
Junior/Filing	100	Completed schooling and planning to undertake further studies. Required to assist in administration and day to day field work under the supervision of more senior staff.

**Notes:**

- 1) The hourly rates are exclusive of GST.
- 2) The guide to staff experience is intended only as a general guide to the qualifications and experience of our staff engaged in the administration. Staff may be engaged under a classification that we consider appropriate for their experience.
- 3) Time is recorded and charged in six-minute increments.
- 4) Rates are subject to change from time to time.



**A2) Tasks Undertaken by the Administrators and Remuneration Calculation  
for the period 24 August 2009 to 17 September 2009.**

<b>Task Area</b>	<b>Task Description</b>
<b>ASSETS</b>          <b>111.70</b> <b>\$42,595.00</b>	<p><b>Sale of Business as a Going Concern</b> - Investigate proposed sale of the business. Meeting with directors on 25 August 2009 regarding sale of business. Fielding telephone calls and other correspondence from interested parties. Upkeep of register of Interested Parties. Preparation and review advertisements for sale of business and confirm placement of advertisements in multiple publications. Preparation of Information Memorandum for distribution to interested parties including gathering of documents and information. Preparation of Data Room containing Due Diligence information for interested parties. Review of Confidentiality Agreement to issue to Interested Parties. Distribution of Confidentiality agreement to 43 Interested parties. Distribution of Information Memorandum to 31 interested parties. Further correspondence with interested parties regarding submission of offers. Conduct meetings with various interested parties. Preparation of offer to purchase document. Instruct Corrs with regard to sale contracts. Review offers to purchase business and evaluate offers. Meeting with directors to discuss various sale issues including intercompany loans. Meeting with parties who submitted offers of to purchase business. Negotiation of sale contract.</p>
	<p><b>Plant &amp; Equipment</b> - Identify assets owned by the company from asset register and directors RATA.</p>
	<p><b>Bank Accounts</b> - Identify company bank account and corresponding with National Australia Bank. Determine need to keep pre appointment bank accounts open. Prepare correspondence and distribute to National Australia Bank on 24 August 2009 instructing to open post appointment bank account. Instruct NAB on 24 August 2009 to freeze all pre appointment bank accounts. Discussions with Tony Hennessey of National Australia Bank on 27 August 2009. Instruct National Australia Bank to transfer pre appointment funds to post appointment bank account on 28 August 2009.</p>
	<p><b>Loan Accounts</b> - Discuss and review inter company loan accounts.</p>
	<p><b>Valuations</b> - Instruct PVAS to perform valuation of the company's assets. Review valuations of the company's assets.</p>
<b>CREDITORS</b>          <b>78.20</b> <b>\$25,273.00</b>	<p><b>Creditor Enquiries</b> - Corresponding with creditors via letter, email, telephone and facsimile regarding the administration of the company's affairs. Telephone calls in and documentation of creditor enquiries pertaining to bookings, circulars, payment of outstanding debts and various note holder queries.</p>
	<p><b>Reports/Circulars</b> - Preparation and distribution of circular to creditors/suppliers/noteholders dated 24 August 2009. Preparation and review of 439A report to creditors including the consolidation of information received as a part of the investigations and sale of business process.</p>
	<p><b>Meetings</b> - Preparation for and conduct first meeting of creditors on 3 September 2009. Preparation, review and subsequent lodgement of minutes of meeting with ASIC. Preparation and lodgement of advertising in relation to meetings on 3 September and 28 September.</p>
	<p><b>Shareholder Enquiries</b> - Corresponding with shareholders via letter, telephone and facsimile.</p>
	<p><b>Deed of Company Arrangement</b> - Discussions and correspondence with directors regarding proposal of DOCA.</p>
	<p><b>Review/Prepare Correspondence</b> - Preparation and review of written correspondence to all stakeholders regarding the administration of the company.</p>



**A2) Tasks Undertaken by the Administrators and Remuneration Calculation  
for the period 24 August 2009 to 17 September 2009.**

<b>Task Area</b>	<b>Task Description</b>
	<p><b>Landlords</b> - Dealings and correspondence with the company's landlords. Review lease agreements, outstanding rent and conditions of occupancy.</p>
	<p><b>Calculating Creditor's Position</b> - Calculation of creditor claims and determine the estimated return to creditors in the various scenarios. Review of creditor proofs of debt submitted.</p>
<b>TRADE ON</b>	<p><b>Management</b> - Liaising/meeting with management regarding trading matters including the implementation of controls, cost reduction and sale process. Attending site, monitoring financial performance. Liaising with suppliers and other stakeholders regarding trading.</p>
	<p><b>Workers Compensation Cover</b> - Obtain documentation and review current work cover policies in place on. Prepare and distribute notification to Workcover NSW notifying them of my appointment on 24 August 2009. Telephone conversation with Workcover NSW on 28 August 2009 regarding policy.</p>
	<p><b>Budgeting &amp; Financial Reporting</b> - Meeting with directors on 25 August 2009 regarding financial statements and trading cashflow preparation. Discussions with director on 26 August 2009 regarding preparation of trading cashflow. Meeting with directors on 27 August 2009 to review current trading operations. Ongoing monitoring of trading cashflow.</p>
<b>17.60</b>	
<b>\$7,716.00</b>	<p><b>IP Theft</b> - Meetings/Discussions regarding theft of company intellectual property. Instruct lawyers to review and consider emails regarding former employee IP theft.</p>
	<p><b>Meetings</b> - General meetings with stakeholders including suppliers and affiliates regarding continuation of trading.</p>
	<p><b>Review/Prepare Correspondence</b> - The preparation and review of written correspondence to suppliers/stakeholders regarding the trading of the company's business.</p>
<b>INVESTIGATION</b>	<p><b>Conducting Investigations</b> - Conducting investigations into the affairs of the company to determine breaches which may lead to recovery action for the benefit of creditors.</p>
	<p><b>Directors</b> - Investigating the directors' actions to determine whether they have breached their duties pursuant to the <i>Corporations Act 2001</i>.</p>
	<p><b>Data Extraction</b> - Review with directors of company's account/record keeping system and extraction of relevant information for investigating the historical performance and financial position at 24 August 2009.</p>
<b>20.10</b>	
<b>\$5,646.00</b>	<p><b>Computer Data</b> - Investigations into the company's automated records and accounting system.</p>
	<p><b>Searches</b> - Conducting searches of subsidiary companies.</p>
	<p><b>Review/Prepare Correspondence with Directors</b> - General correspondence including letters, faxes and telephone calls.</p>
<b>ADMINISTRATION</b>	<p><b>Appointment/Notifications</b> - Prepare and distribute appointment documents/notifications to directors, shareholders, banks, accountants, solicitors, regarding appointment. Telephone call on 27 August 2009 from Jeff Gates from Macquarie Bank regarding appointment matters.</p>
	<p><b>Review/Prepare Correspondence</b> - Prepare and distribute letter to directors regarding rent and workcover matters. Telephone calls in and documentation of details of interested parties regarding sale of business.</p>



**A2) Tasks Undertaken by the Administrators and Remuneration Calculation  
for the period 24 August 2009 to 17 September 2009.**

Task Area	Task Description
<p align="center"><b>80.10</b> <b>\$28,080.00</b></p>	<p><b>Insurance &amp; OH&amp;S</b> - Contact Willis on 24 August 2009 to obtaining insurance cover for the company/assets. Issue appointment documents on 24 August 2009 and appoint Willis to provide insurance consultancy. Conduct a review of existing insurance policies where applicable to ensure sufficient cover.</p>
	<p><b>ASIC/ASX Lodgements</b> - Statutory forms lodged with relevant bodies effectuating the appointment and general compliance.</p>
	<p><b>ATO &amp; Other Statutory Issues</b> - Preparation and distribution of relevant appointment notification documents regarding PAYG, GST, PAYGW and ABN.</p>
	<p><b>Documents Maintenance/File Review</b> - Maintaining a checklist of the administration and regularly reviewing progress of administration.</p>
	<p><b>Planning/Review</b> - Meetings/Discussions and creation of a plan/checklist regarding the administration of the company.</p>
	<p><b>Books and Records/Storage</b> - Issuing demand for and taking possession of relevant records.</p>
	<p><b>Searches</b> - Conduct searches for relevant assets, company information and historical extracts pertaining to the administration.</p>
	<p><b>Media</b> - General dealings with the media regarding the administration including press releases.</p>
	<p><b>RATA</b> - Prepare and provide Report as to Affairs and individual questionnaires to all company directors</p>
	<p><b>Travel</b> - Company related travel between Brisbane and Gold Coast</p>
<p><b>Word Processing</b> - Creation of written correspondence regarding the administration. Creation of circulars to directors, employees, creditors and suppliers.</p>	



A2 (cont) Tasks Undertaken by the Administrators and Remuneration Calculation for the period 24 August 2009 to 17 September 2009.

Team Member Name	Team Member Code	Position	Current Rate (Exc. GST)	Total actual hours	Total (\$)	Task Area									
						Assets		Creditors		Trade On		Investigation		Administration	
						Hours	Value	Hours	Value	Hours	Value	Hours	Value	Hours	Value
Tim Michael	TJM	Partner	510.00	42.30	21,573.00	16.10	8,211.00	9.80	4,998.00	2.00	1,020.00	3.20	1,632.00	11.20	5,712.00
Tim J Michael	TMD	Manager	325.00	20.00	8,208.00	0.00	0.00	20.00	8,208.00	0.00	0.00	0.00	0.00	0.00	0.00
Peter Geroff	PIFG	Director	450.00	79.10	40,341.00	39.50	20,145.00	4.10	2,091.00	10.20	5,202.00	0.00	0.00	25.30	12,903.00
Andrew Rogers	ANR	Director	450.00	8.00	3,600.00	4.50	2,025.00	0.00	0.00	1.00	450.00	0.00	0.00	2.50	1,125.00
Rhett Grasso	RBG	Senior 1	220.00	95.30	22,872.00	46.30	11,112.00	12.30	2,952.00	3.80	912.00	14.80	3,552.00	18.10	4,344.00
Nicholas Clarke	NRC	Senior 1	220.00	48.70	10,714.00	4.50	990.00	31.80	6,996.00	0.60	132.00	2.10	462.00	9.70	2,134.00
Shea Hodgson	SKH	Support 1	140.00	8.80	1,232.00	0.80	112.00	0.20	28.00	0.00	0.00	0.00	0.00	7.80	1,092.00
Eleisha Gerbich	EDG	Support 1	140.00	5.50	770.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.50	770.00
<b>TOTAL</b>				<b>307.70</b>	<b>109,310.00</b>	<b>111.70</b>	<b>42,595.00</b>	<b>78.20</b>	<b>25,273.00</b>	<b>17.60</b>	<b>7,716.00</b>	<b>20.10</b>	<b>5,646.00</b>	<b>80.10</b>	<b>28,080.00</b>
<b>GST</b>					<b>10,931.00</b>										
<b>TOTAL (including GST)</b>					<b>120,241.00</b>										
<i>Average hourly rate</i>					<b>355.25</b>	<b>381.33</b>		<b>323.18</b>		<b>438.41</b>		<b>280.90</b>		<b>350.56</b>	



**A3) Tasks Undertaken by the Administrators and Remuneration Calculation  
for the period 18 September 2009 to the end of the Voluntary Administration period.**

<b>Task Area</b>	<b>Task Description</b>
<b>ASSETS</b>  \$20,000.00	<b>Sale of Business as a Going Concern</b> - Finalise sale negotiations. Execute sale contract and attend to settlement of sale.
	<b>Other</b> - deal with other assets of the company. Tasks associated with realising other assets.
<b>CREDITORS</b>  \$10,000.00	<b>Creditor Enquiries</b> - Corresponding with creditors via letter, email, telephone and facsimile regarding the administration of the company's affairs.
	<b>Reports/Circulars</b> - Prepare and distribute 439A report to creditors.
	<b>Meetings</b> - Preparation for and conduct of meetings of creditors on 28 September 2008 and any adjournment thereof.
	<b>Shareholder Enquiries</b> - Corresponding with shareholders via letter, telephone and facsimile.
	<b>Review/Prepare Correspondence</b> - The preparation and review of written correspondence to all stakeholders regarding the administration of the company.
	<b>Landlords</b> - Dealings and correspondence with the company's landlord(s). Review lease agreements, outstanding rent and conditions of occupancy.
<b>TRADE ON</b>  \$2,500.00	<b>Management</b> - liaising/meeting with management regarding trading matters including the maintenance of controls. Attending site and monitoring financial performance. Liaising with suppliers and other stakeholders regarding trading.
	<b>Meetings</b> - General meetings with stakeholders including suppliers, customers, landlord regarding continuation of trading.
	<b>Review/Prepare Correspondence</b> - the preparation and review of written correspondence to suppliers/stakeholders regarding the ongoing trading of the company's business.
<b>INVESTIGATION</b>  \$2,500.00	<b>Conducting Investigations</b> - conducting further investigations into the affairs of the company to determine breaches which may lead to recovery action for the benefit of creditors.
	<b>Directors</b> - continue investigating the directors' actions to determine whether they have breached their duties pursuant to the <i>Corporations Act 2001</i> .
	<b>ASIC Reporting &amp; Liaising</b> - Lodgement of report pursuant to S438D of the Act with ASIC.

<b>ADMINISTRATION</b>          <b>\$5,000.00</b>	<b>Review/Prepare Correspondence</b> - the preparation of general correspondence regarding the appointment and administration.
	<b>Documents Maintenance/File Review</b> - maintaining a checklist of the administration and regularly reviewing progress of administration.
	<b>Insurance &amp; OH&amp;S</b> - Maintaining insurance cover for the company/assets.
	<b>Bank Accounts/Cashbooks</b> - maintaining appointment bank accounts and an automated accounting system.
	<b>BAS Statements</b> - Preparation and lodgement of company BAS statements.
	<b>Planning/Review</b> - Maintenance of a plan/checklist regarding the administration of the company.
	<b>Media</b> - general dealings with the media regarding the administration including press releases.
	<b>Travel</b> - company related travel.
	<b>Word Processing</b> - creation of written correspondence regarding the administration.



**A4) Tasks Undertaken by the Liquidators and Remuneration Calculation  
from the commencement of the liquidation to the completion of the liquidation.**

<b>Task Area</b>	<b>Task Description</b>
<b>ASSETS</b>  <b>\$70,000.00</b>	<b>Sale of Business as a Going Concern</b> - Prepare the business of Tourism Technology for sale. Finalise the information memorandum, marketing campaign, liaise with interested parties, review offers submitted, shortlist parties, negotiate contract of sale and complete sale.
	<b>Loan Accounts</b> - Correspondence with loan debtors.
	<b>Other</b> - Deal with other assets of the company. Tasks associated with realising other assets.
<b>CREDITORS</b>  <b>\$20,000.00</b>	<b>Creditor Enquiries</b> - Corresponding with creditors via letter, email, telephone and facsimile regarding the administration of the company's affairs.
	<b>Reports/Circulars</b> - The preparation and distribution of the further reports to creditors.
	<b>Meetings</b> - Preparation for and conduct of further meetings of creditors including annual general meetings pursuant to Section 508 of the Act.
	<b>Committee of Creditors/Inspection</b> - General correspondence with committee members.
	<b>Shareholder Enquiries</b> - Corresponding with shareholders via letter, telephone and facsimile.
	<b>Review/Prepare Correspondence</b> - the preparation and review of written correspondence to all stakeholders regarding the administration of the company.
	<b>Landlords</b> - Dealings and correspondence with the company's landlord(s).
	<b>Calculating Creditor's Position</b> - Further calculation of creditor claims and determine the estimated return to creditors in the various scenarios.
<b>TRADE ON</b>  <b>\$10,000.00</b>	<b>Management</b> - Liaising/meeting with management regarding trading matters including the maintenance of controls. Attending site and monitoring financial performance. Liaising with suppliers and other stakeholders regarding trading.
	<b>Budgeting &amp; Financial Reporting</b> - Maintenance of budgets and financial reports for trading period. Prepare regular financial reports. Meetings and discussions regarding financial performance.
	<b>Review/Prepare Correspondence</b> - The preparation and review of written correspondence to suppliers/stakeholders regarding the ongoing trading of the company's business.

<p><b>INVESTIGATION</b></p> <p><b>\$5,000.00</b></p>	<p><b>Conducting Investigations</b> - conducting further investigations into the affairs of the company to determine breaches which may lead to recovery action for the benefit of creditors.</p> <p><b>Directors</b> - continue investigating the directors' actions to determine whether they have breached their duties pursuant to the <i>Corporations Act 2001</i>.</p>
<p><b>DIVIDEND</b></p> <p><b>\$10,000.00</b></p>	<p><b>Proof of Debt Adjudication</b> - processing and adjudicating creditor claims. Requesting further evidence and rejecting illegitimate claims.</p> <p><b>Calculations</b> - determine funds available and rate of distribution pursuant to the provisions of the <i>Corporations Act 2001</i>.</p> <p><b>Statutory Procedures</b> - declaring and distributing funds pursuant to the provision of the <i>Corporations Act 2001</i>.</p> <p><b>Review/Preparation of Correspondence</b> - preparation of relevant notices, letters and advertisements.</p> <p><b>Dividend Distributions</b> - the distribution of funds to the relevant class of creditor.</p> <p><b>Other</b> - dealing with other matters relating to the distribution of funds.</p>
<p><b>ADMINISTRATION</b></p> <p><b>\$5,000.00</b></p>	<p><b>Review/Prepare Correspondence</b> - the preparation of general correspondence regarding the appointment as Liquidators.</p> <p><b>Advertisements</b> - preparation of statutory advertisements regarding the appointment as liquidators.</p> <p><b>Appointment/Notifications</b> - general correspondence to shareholders, directors and creditors regarding appointment of liquidators.</p> <p><b>Documents Maintenance/File Review</b> - maintaining a checklist of the administration and regularly reviewing progress of administration.</p> <p><b>Bank Accounts/Cashbooks</b> - maintaining appointment bank accounts and an automated accounting system.</p> <p><b>ASIC/ASX Lodgements</b> - statutory forms lodged with relevant bodies effectuating the appointment and general compliance.</p> <p><b>ATO &amp; Other Statutory Issues</b> - appointment notification and registration.</p> <p><b>BAS Statements</b> - Preparation and lodgement of company BAS statements.</p>

	<b>Planning/Review</b> - creation of a plan/checklist regarding the administration of the company.
	<b>Media</b> - general dealings with the media regarding the administration including press releases.
	<b>Travel</b> - company related travel.
	<b>Word Processing</b> - creation of written correspondence regarding the administration.



#### **A5) Resolutions**

At the meeting of creditors convened for **28 September 2009**, creditors will be asked to consider the following resolutions:

*"That the remuneration of the Administrators, as set out in the Administrators' remuneration report dated **18 September 2009**, for the period from **24 August 2009** to **17 September 2009** be fixed in the sum of **\$100,000** plus GST."*

**If Creditors resolve that the company be wound up:**

*"That the remuneration of the Administrators, as set out in the Administrators' remuneration report dated **18 September 2009**, for the period from **18 September 2009** to **the end of the administration period** be approved up to the sum of **\$40,000** plus GST."*

*"That the remuneration of the Liquidators, as set out in the Administrators' remuneration report dated **18 September 2009**, be approved up to the sum of **\$120,000** plus GST but subject to upward adjustment by resolution of creditors or a committee of inspection."*



## PART B

### B1) Administrators' Disbursements

Disbursements are divided into three types **D1**, **D2** and **D3**.

**D1)** Disbursements are all externally provided professional services and are recovered at cost. An example of a D1 disbursement is legal fees. Following are details of D1 type disbursements incurred to date:

Disbursement	Amount (\$)
PVAS	4,743.75
<b>Total</b>	<b>4,743.75</b>

**D2)** Disbursements are externally provided non professional costs such as travel, accommodation and search fees. D2 disbursements are recovered at cost. Following are details of D2 type disbursements incurred to date:

Disbursement	Amount (\$)
Searches	167.45
<b>Total</b>	<b>167.45</b>

**D3)** Disbursements are internally provided non professional costs such as photocopying and document storage. D3 disbursements are charged at cost except for photocopying, printing and telephone calls which are charged at a rate which is intended to recoup both variable and fixed costs. The relevant rates are set out below. Costs incurred to date are shown in the Summary of Receipts and Payments.

Disbursements	Charges (Excluding GST)
Postage	79.46
Telephone	41.97
Photocopying	274.05
Stationary	40.00
<b>Total</b>	<b>435.48</b>



**B2) Summary of Receipts and Payments for the period 24 August 2009 to 18 September 2009.**

<b>Details</b>	<b>Amount</b>
<b>Receipts</b>	
Pre Appointment Cash at Bank	105,095.89
<b>Total Receipts</b>	<b>105,095.89</b>
<b>Payments</b>	
Bookeasy Reimbursement for Deposit Error	1,346.24
Advertising	9,858.92
<b>Total Payments</b>	<b>11,205.16</b>
<b>Cash at Bank as at 18 September 2009</b>	<b>93,890.73</b>

**B3) Other creditor information on remuneration**

The partners of Ferrier Hodgson (Qld) are members of the Insolvency Practitioners Association and follow the IPA Code of Professional Practice. A copy of the Code of Professional Practice may be found on the IPA website at [www.ipaa.com.au](http://www.ipaa.com.au).

An information sheet concerning approval of remuneration in external administrations can also be obtained from the IPA website.

Queries regarding remuneration should be directed to **Nicholas Clarke** of this office.

Dated this 18th day of **September 2009**

**Tim Michael**  
**Administrator**