

9 August 2010

**REWARDS GROUP LIMITED ACN 087 702 547**  
**REWARDS LAND PTY LTD ACN 089 948 824**  
**REWARDS MANAGEMENT PTY LTD ACN 089 940 376**  
**(All Administrators Appointed) (Some Receivers and Managers Appointed)**  
**(Collectively referred to as "the Companies")**

**CIRCULAR TO CREDITORS**

ADELAIDE  
BRISBANE  
MELBOURNE  
SYDNEY  
HONG KONG  
JAKARTA  
KUALA LUMPUR  
MANILA  
MUMBAI  
SHANGHAI  
SINGAPORE  
TOKYO

We refer to the appointment of Martin Jones, Andrew Saker and Darren Weaver as Joint and Several Administrators of the Companies pursuant to section 436A of the Corporations Act 2001 (the Act) on 16 May 2010.

As previously advised, on 10 June 2010 an application was made by the Administrators to extend the convening period for a period of up to three months. This application was approved by the Supreme Court of Western Australia on 11 June 2010 and extended the date by which the Administrators were required to convene the second creditors meetings to 14 September 2010.

Affiliated through  
Zolfo Cooper  
and  
Kroll Worldwide  
UNITED STATES  
UNITED KINGDOM

Subsequent to the 11 June 2010 hearing, the Receivers and Managers of the Companies opposed the three month extension of the convening period. Following our discussions with the Receivers and Managers, we agreed that the extension of the convening period previously approved by the Court be brought back to 9 August 2010. In this regard, the Court approved this agreement and granted orders to this effect on 29 June 2010.

We advise that the concurrent second meetings of creditors of the Companies convened pursuant to Section 439A of the Act **will be held on Monday, 16 August 2010 at the Kings Perth Hotel, 517 Hay Street, Perth, Western Australia at 11.00am (WST)** for creditors to determine the future of the Companies.

We further note that a summary of the outcome of the second meeting of creditors will be made available on the Ferrier Hodgson website ([www.ferrierhodgson.com](http://www.ferrierhodgson.com)) by 5.00pm (WST) on the day of the meeting. We also note should any creditor or stakeholder wish to obtain a copy of the minutes of these meetings, these will be available ten (10) business days after the date of the meetings from the ASIC.

For your information and assistance, the following notices, statements and reports are attached:

**(a) Notice of Meeting**

Please note that meetings for the Companies will be held on **Monday, 16 August 2010 at the Kings Perth Hotel, 517 Hay Street, Perth WA 6000 at 11.00am (WST).**



*Please note that you should arrive for registration at least 30 minutes prior to the meeting.*

Although they will be legally separate meetings, we intend to conduct each of the meetings of the Companies at the same time and location and to allow observers to be present at each of the meetings. We believe this necessary and reasonable in order to save costs and allow for an efficient Administration process for all stakeholders, without prejudicing their respective interests.

**(b) Informal Proof of Debt or Claim Form**

A person is not entitled to vote at the meeting unless they provide particulars of the debt or claim to the Administrators before the meeting. Please note this form is for voting purposes only. All creditors must furnish full details of their claims, indicating whether they rank as secured, preferential or unsecured, and whether they claim title to any goods supplied to the Companies or any lien over goods in their possession which are property of the Companies.

If you have submitted one of these for the purposes of the first meetings of creditors, **you do not need to submit another.**

**(c) Appointment of Proxy form.**

This form enables you to appoint a person to act on your behalf at the meeting. Proxy forms submitted for the first meeting of creditors are not valid for these meetings. We note that to be entitled to vote, corporate creditors **must complete and submit a new Proxy form** for the purposes of these meetings.

To ensure your debt is registered with the Administrators and your vote is able to be counted at the meetings, you are required to lodge all forms with the Administrators by no later than **5.00pm WST on Friday, 13 August 2010.**

All forms and supporting documentation can be lodged with the Administrators via one of the following means:

By mail:                      Ferrier Hodgson  
   GPO Box 2537  
   PERTH WA 6001  
By email:                      [rewardsgroup@fh.com.au](mailto:rewardsgroup@fh.com.au)  
By facsimile:                +61 8 9214 1400

Please also note that Corporations Regulation 5.6.36A requires lodgement of the original of the Proxy with the Administrators' office within 72 hours of lodging the electronic copy.

**(d) Administrator's report pursuant to Section 439A(4) of the Act**

The report details a summary on the Company's business, property, affairs and financial circumstances. It also contains a statement setting out our opinion about each of the following matters and our reasons for those opinions:



- (a) Whether it would be in the creditors' interests for the company to be wound up.
- (b) Whether it would be in the creditors' interests for the administration to end.
- (c) Whether the meeting should be adjourned for a period of up to forty-five (45) business days.

Please note that we have received approval from the Supreme Court of Western Australia to provide the Administrators' report pursuant to Section 439A(4) of the Act for Rewards Projects Limited (Administrators Appointed) to creditors and other stakeholders via our website. Accordingly, should you wish to obtain a copy of the report, you may download a copy from [www.ferrierhodgson.com](http://www.ferrierhodgson.com) or a hard copy can be made available upon request.

**(e) Remuneration report**

The Administrators' report includes detailed scheduled explaining their remuneration claim setting out:

- (a) Details of time spent by category of staff at the rates applicable for such staff; and
- (b) A summary of the work undertaken, and work expected to be undertaken up to the cessation or completion of the administration by the Administrators and their staff in the administration.

Should creditors resolve that any of the individual companies be wound up, the Liquidators intend that their remuneration be fixed on the basis of time spent by them and their staff of an appropriate level having regard to the nature and complexity of the work and calculated by reference to the hourly rates set out in the attached remuneration report.

**Further Information**

For further information concerning the Voluntary Administration process and Ferrier Hodgson, you may wish to visit our website at [www.ferrierhodgson.com](http://www.ferrierhodgson.com). You may also wish to consider the IPAA's website [www.ipaa.com.au](http://www.ipaa.com.au) which contains the IPA's Statements of Best Practice, applicable to IPA members and/or the website [www.asic.gov.au](http://www.asic.gov.au) for information sheets.

Should you have any questions in relation to this matter, please contact either Sandra Gauci or Lauren McCann of this office.

MARTIN JONES  
Joint and Several Administrator of  
Rewards Group Limited  
Rewards Land Pty Ltd  
Rewards Management Pty Ltd

Encl.

FORM 529A

Paragraph 5.6.12(2)

CORPORATIONS ACT 2001

**NOTICE OF SECOND MEETING OF  
CREDITORS OF COMPANY UNDER ADMINISTRATION**

**Rewards Group Ltd ACN 087 702 547  
Rewards Projects Limited ACN 089 582 427  
Rewards Land Pty Ltd ACN 089 948 824  
Rewards Management Pty Ltd ACN 089 940 376  
(All Administrators Appointed) (Some Receivers and Managers Appointed)  
(Collectively referred to as "the Companies")**

Notice is given that concurrent meetings of the creditors of the Companies will be held on Monday, 16 August 2010 at the Kings Perth Hotel 517 Hay Street, Perth Western Australia at 11.00am (WST).

Although they will be legally separate meetings, we intend to conduct each of the meetings of the companies at the same time and location in order to save cost and allow for an efficient Administration process for all stakeholders, without prejudicing their respective interests.

**AGENDA**

1. To receive a Statement about the Companies' business, property, affairs and financial circumstances.
2. To receive the reports of the Administrator.
3. Questions from creditors.
4. For creditors of each company to resolve separately in respect to each of the Companies:
  - a. that the meeting be adjourned for up to forty-five (45) business days; or
  - b. that the company be wound up; or
  - c. that the company execute a Deed of Company Arrangement; or
  - d. that the administration should end.
5. To fix the remuneration of the Joint and Several Administrators for each of the Companies.
6. If a company is to execute a Deed of Company Arrangement, to fix the remuneration of the Deed Administrators for that company.
7. If a company is wound up, to fix the remuneration of the Liquidators for that company.
8. If a company is wound up, to consider appointing a Committee of Inspection for that company.
9. If a company is wound up, to consider the destruction of the books and records at the conclusion of the winding up for that company.
10. Any other business that may be lawfully brought forward.

Proxies to be used at the meetings should be lodged at the office of the Joint and Several Administrators by 5.00pm (WST) on Friday, 13 August 2010. A corporate creditor can only be represented by proxy or by an attorney pursuant to Corporations Regulations 5.6.28 and 5.6.31A or if a body corporate by a representative appointed pursuant to Section 250D.

In accordance with Regulation 5.6.23(1) of the Corporations Regulations, creditors will not be entitled to vote at this meeting unless they have previously lodged particulars of their claim against the company in accordance with the Corporations Regulations and that claim has been admitted for voting purposes wholly or in part by the voluntary administrator.

DATED this 9<sup>th</sup> day of August 2010.



Martin Jones  
Joint and Several Administrator of  
Rewards Group Ltd  
Rewards Projects Limited  
Rewards Land Pty Ltd  
Rewards Management Pty Ltd

**INFORMAL PROOF OF DEBT FORM FOR CREDITORS**

**Regulation 5.6.47**

**Rewards Group Ltd ACN 087 702 547  
Rewards Land Pty Ltd ACN 089 948 824  
Rewards Management Pty Ltd ACN 089 940 376  
(All Administrators Appointed) (Some Receivers and Managers Appointed)  
(Collectively referred to as "the Companies")**

**Please indicate the company to which your claim relates (please tick)**

<b>Company Name</b>	<b>ACN</b>	<b>✓</b>
*Rewards Group Limited	087 702 547	
Rewards Land Pty Ltd	089 948 824	
*Rewards Management Pty Ltd	089 940 376	

\*Receivers and Managers Appointed

Name of creditor: .....

Address of creditor: .....

.....

ABN: .....

Telephone number: .....

Amount of debt claimed: \$..... (including GST \$..... )

Consideration for debt (i.e. the nature of goods or services supplied and the period during which they were supplied):

.....

.....

Is the debt secured? YES/NO

If secured, give details of security including dates, etc:

.....

.....

Other information:

.....

.....

.....  
Signature of Creditor  
(or person authorised by creditor)

**Notes:**

Under the Corporations Regulations, a creditor is not entitled to vote at a meeting unless (Regulation 5.6.23):

- a. his or her claim has been admitted, wholly or in part, by the Joint and Several Administrators; or
- b. he or she has lodged with the Joint and Several Administrators particulars of the debt or claim, or if required, a formal proof of debt.

At meetings held under Section 436E and 439A, a secured creditor may vote for the whole of his or her debt without regard to the value of the security.

Proxies must be made available to the Joint and Several Administrators.

**Rewards Group Ltd ACN 087 702 547  
 Rewards Land Pty Ltd ACN 089 948 824  
 Rewards Management Pty Ltd ACN 089 940 376  
 (All Administrators Appointed) (Some Receivers and Managers Appointed)  
 (Collectively referred to as "the Companies")**

**APPOINTMENT OF PROXY  
 CREDITORS MEETING**

**Please indicate the meeting of the company for which your proxy is provided (please tick)**  
 You may only select one (1) company per Proxy form

Company Name	ACN	✓
*Rewards Group Limited	087 702 547	
*Rewards Land Pty Ltd	089 948 824	
*Rewards Management Pty Ltd	089 940 376	

\*Receivers and Managers Appointed

\*I/\*We<sup>1</sup> .....

of .....

a creditor of the company/companies indicated above, appoint<sup>2</sup> .....

or in his absence .....

as \*my/our \*(i) general OR \*(ii) special proxy<sup>3</sup> to vote at the meeting of creditors to be held on Monday, 16 August 2010 or at any adjournment of that meeting, to vote

- (i) on all matters arising at the meeting; OR
- (ii) on each of the following kinds of resolution in the manner specified:

Resolutions	For	Against	Abstain
(a) A resolution that the meeting be adjourned for a period not exceeding forty-five (45) business days.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(b) A resolution that the company be wound up.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(c) A resolution that the administration end.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(d) A resolution that the company execute a DOCA.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(e) A resolution that the Administrators' remuneration for the period 16 May 2010 to 31 July 2010 as detailed in the Administrators' Report dated 9 August 2010 be approved.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(f) A resolution that the Administrators' estimated future remuneration for the period 1 August 2010 to 15 August 2010 as detailed in the Administrators' Report dated 9 August 2010 be approved.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* Strike out if inapplicable

<sup>1</sup> If a firm, strike out "I" and set out the full name of the firm.

<sup>2</sup> Insert the name, address and description of the person appointed.

<sup>3</sup> If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular resolution.

Resolutions	For	Against	Abstain
(g) If the company is placed into Liquidation: The Liquidators remuneration be fixed in accordance with the hourly rates of Ferrier Hodgson as detailed in the Administrators' Report dated 9 August 2010 and that the Liquidators be authorised to make monthly payments on account of such accruing remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(h) If the company is placed into Liquidation: A Committee of Inspection be appointed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(i) If the company is placed into Liquidation: A resolution that the books and records of the company be disposed of 12 months after the dissolution of the company or earlier at the discretion of the ASIC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

I am an unsecured creditor and the total amount owed to me is \$.....

**OR**

I am a secured creditor and the total amount owed to me is \$.....

DATED this            day of August 2010

.....  
Signature<sup>5</sup> of individual or person<sup>6</sup>  
authorised by corporate resolution to  
represent the corporation

OR    The Common Seal of<sup>4</sup>  
  
was hereunto affixed in the  
presence of

.....  
Director / Secretary

**This section is only relevant in the case of a proxy given by a blind or other person incapable of writing.**

CERTIFICATE OF WITNESS<sup>7</sup>

I,.....of.....  
.....

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

DATED this            day of August 2010

.....  
Signature of Witness

.....  
Description

.....  
Place of Residence

<sup>4</sup> The method of affixing the Common Seal is prescribed in Section 127(2) of the Corporations Act 2001 and, usually, the creditor corporation's constitution.

<sup>5</sup> The signature of the creditor is not to be attested by the person nominated as proxy.

<sup>6</sup> A corporation may only be represented by proxy or by an attorney appointed pursuant to Corporations Regulations 5.6.28 and 5.6.31A respectively or, by a representative appointed under Section 250D of the Corporations Act 2001. Copy of authority/power of attorney to be annexed.

<sup>7</sup> This certificate is to be completed only where the person giving it is blind.

**Rewards Group Ltd  
ACN 087 702 547  
(Administrators Appointed)  
(Receivers and Managers Appointed)**

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

**Martin Jones**

**Darren Weaver**

**Andrew Saker**

9 August 2010



**FERRIER HODGSON**

LEVEL 26, 108 ST GEORGES TERRACE PERTH WA 6000

GPO BOX W2537 PERTH WA 6001

TELEPHONE 08 9214 1400 FACSIMILE 08 9214 1444

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## Glossary of terms

Abbreviation	Description
ABN	Australian Business Number
ACN	Australian Company Number
Act	The Corporations Act 2001
ANZ	Australia and New Zealand Banking Group Limited
ARK	The ARK Fund Limited (R&M Appointed) (Administrators Appointed)
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
BPPL	Berry Packers Pty Ltd (R&M Appointed) (Administrators Appointed)
Company / RGL	Rewards Group Limited (R&M Appointed) (Administrators Appointed)
DOCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
FH	Ferrier Hodgson
GEERS	General Employee Entitlements Redundancy Scheme
GCPL	Greentree Capital Pty Ltd (Administrators Appointed) formerly QPR Capital Finance Pty Ltd
GST	Goods and Services Tax
IPA	Insolvency Practitioners Association of Australia
MIS	Managed Investment Scheme
OPPL	Ord Packers Pty Ltd (R&M Appointed) (Administrators Appointed)
R&M	Receivers and Managers
Rewards Group / the Group	RGL, RLPL, RMPL, OPPL, BPPL, RPL, GCPL, Rural Labour and the Company
RGAG	Rewards Growers Advocacy Group
RLPL	Rewards Land Pty Ltd (R&M Appointed) (Administrators Appointed)
RMPL	Rewards Management Pty Ltd (R&M Appointed) (Administrators Appointed)
RPL	Rewards Projects Limited (Administrators Appointed)
Rural Labour	Rural Labour Pty Ltd (Administrators Appointed)
SGC	Superannuation Guarantee Charge
Statement	Directors' Statement about the Company's Business, Property, Affairs and Financial Circumstances

### Listing of Annexures

<b>Annexure 1</b>	Administrators' Remuneration Report
<b>Annexure 2</b>	IPA – Creditor Information Sheet – Offences, Recoverable Transactions and Insolvent Trading
<b>Annexure 3</b>	Declaration of Independence, Relevant Relationship and Indemnities
<b>Annexure 4</b>	RGAG Letter of Intent
<b>Annexure 5</b>	Background Information Regarding the Group

## 1. Executive summary

We advise that the Directors of the Company appointed Martin Jones, Andrew Saker and Darren Weaver as Joint and Several Administrators on 16 May 2010, pursuant to section 436A of the Act. Creditors ratified our appointment as Administrators at the first meeting of creditors held on 26 May 2010 for the Company.

A Committee of Creditors was formed for RGL at the first creditors meeting on 26 May 2010. The Committee of Creditors of RGL called their first Committee of Creditors meeting on 10 June 2010. We note that the sole creditor on the Committee of Creditors for the Company resigned from the committee prior to this meeting and therefore no quorum was present at this meeting and ultimately there is now no Committee of Creditors for RGL.

On the 19 May 2010, Peter Anderson, James Thackray and William Harris were appointed as R&M over RGL. As a consequence of the appointment of the R&M and pursuant to section 442D of the Act, the Administrators' powers are limited and subject to the powers of the R&M. A summary of the Group entities, the respective roles, and the Group's strengths and weaknesses is included as **Annexure 5**.

The second meeting of creditors is convened for Monday, 16 August 2010, being consistent with the terms of the Court's orders made on 29 June 2010 which extended the convening period.

Pursuant to section 439A(4)(b) of the Act, we are required to provide creditors with a statement setting out our opinion separately for each Group entity on whether it is in creditors' interests for the:

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

We have carried out preliminary investigations into the Company's affairs to assist in formulating our opinion as to what is in the creditors' best interests. At the date of this report, no DOCA proposal has been received, however we have received a letter of intent by RGAG to provide a DOCA proposal to creditors and therefore requesting that creditors consider adjourning the forthcoming meeting of creditors. Should this situation change, creditors will be advised at or prior to the meeting.

We note that, during the course of the Administration, we have made preliminary enquiries into the Company's affairs and the various transactions the Company has entered into, however any future appointed liquidator would be required to conduct a more comprehensive investigation and consider action in respect of recoveries (if any).

We advise that the ultimate return to ordinary unsecured creditors could be nil and is likely to be dependent upon the amount recoverable from its investments (related party loans) in its subsidiaries. Accordingly, for the reasons set out in this report, **we recommend that creditors resolve to adjourn the second meeting of creditors for a period not exceeding forty-five (45) business days**. In the event that creditors adopt that course, the Administrators will continue to engage with RGAG with a view to a restructure of the Company, compile a supplementary report to creditors (that may better inform creditors, including some quantification as to the likely returns from the alternatives available) and thereafter reconvene the second meeting of creditors (to be held on or before 19 October 2010).

## 2. Introduction

### 2.1 Purpose of Administrators' appointment and this report

As noted above, on 16 May 2010 Martin Jones, Andrew Saker and Darren Weaver were appointed as Joint and Several Administrators of each of the Group entities, pursuant to section 436A of the Act. Immediately following our appointment, we took control of the Group assets and continued to carry on the Group business.

On 19 May 2010, Peter Anderson, James Thackray and William Harris of McGrathNicol were appointed as R&M over RGL. Accordingly, control of the assets and trading activities was transferred to the R&M upon their appointment.

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. We are required to provide creditors with information and recommendations to assist creditors to 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:*
  - (i) *Whether it would be in the creditors' interests for the company to execute a Deed of Company Arrangement;*
  - (ii) *Whether it would be in the creditors' interest for the administration to end;*
  - (iii) *Whether it would be in the creditors' interest for the company to be wound up;*

*and also setting out:*

  - (iv) *His or her reasons for those opinions; and*
  - (v) *Such other information known to the administrator as will enable the creditors to make an informed decision about each matter covered by subparagraph (i), (ii) or (iii); and*
- (c) *If a Deed of Company Arrangement is proposed – a statement setting out details of the proposed deed.*

In the available time, we have undertaken the preliminary investigations detailed in section 6 of this report. These investigations have assisted in forming an opinion about the Company's future. Our opinions are set out in section 8 of this report.

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

Creditors attended concurrent meetings of creditors held at the Perth Convention and Exhibition Centre on Wednesday, 26 May 2010 and ratified our appointment as Administrators of the Group, with the exception of GCPL which was ratified at the reconvened first meeting of creditors held on 4 June 2010.

In the case of RGL, creditors elected to form a committee of creditors and the following creditor was elected as member:

Committee of Creditors	Representative
1. The Ark Fund Limited	Julian Dayman

We note that between the first meeting of creditors on 26 May 2010 and the first meeting of the Committee of Creditors of RGL on 10 June 2010, Mr Dayman resigned from the Committee as The Ark Fund Limited was placed into external administration. Therefore there is now no Committee of Creditors for RGL.

## 2.3 Second meeting of creditors

On 10 June 2010 the Committees of Creditors (for all entities where a Committee was appointed) resolved to support the Administrators intended application to extend the convening period for a period of up to three months. This application was approved by the Supreme Court of Western Australia on 11 June 2010 and extended the date by which the Administrators were required to convene the second creditors meetings to 14 September 2010.

Subsequent to the 11 June 2010 hearing, the R&M of various entities of the Group opposed the three month extension of the convening period. Following our discussions with the R&M, and in line with the timeframe of the RGAG funding agreement, at the time, we agreed with the R&M that the extension of the convening period previously approved by the Court be brought back to 9 August 2010. In this regard, the Court approved this agreement and granted orders to this effect on 29 June 2010.

Due to the size and complex nature of the Group structure and affairs, the extended period of time was intended to enable us to:

- a) Continue discussions with existing interested parties and further seek expressions of interest with regard to the possible restructure and recapitalisation of the Group or part thereof, ultimately leading to a DOCA proposal being put forward to creditors; and
- b) Conduct and complete our preliminary statutory investigations into the Group's affairs prior to our appointment and formulate an opinion with regard to the future of the Group which is in the best interests of the Group's creditors.

We are now in a position to convene the second meetings of creditors of the company and therefore, pursuant to Section 439A of the Act, the second meeting of creditors of the Company is convened for Monday, 16 August 2010 at the Kings Perth Hotel, 517 Hay Street, Perth, Western Australia at 11.00 am (WST).

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; or
- That the Company execute a DOCA.

It is also possible to adjourn the meeting for a period not exceeding forty five (45) business days if creditors so desire in order to provide further time to address any outstanding issues or uncertainties.

We note that as no DOCA has been put forward, this option falls away.

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

There are sections of this report wherein we considered it inappropriate to disclose certain information to creditors. Such information included:

- a) Valuations of specific assets;
- b) Valuation of the business; and
- c) Commercially sensitive prospective financial information (for example projections/forecasts).

We appreciate the need to provide creditors with complete disclosure of all necessary information relating to the Group in order to make decisions. However, as this information is commercially sensitive, it is not in creditors' interests for us to disclose the information publically at this stage.

The Committees of Creditors are privy to a greater level of information. The members of the Committees of Creditors have signed and are bound by confidentiality agreements with the Administrators.

## **2.5 Access to Company Books and Records**

We have been unable to ascertain various account balances as our access to the Company's books and records has been restricted due to the appointment of the R&M's. Efforts to ascertain information directly from the Group's employees has also been limited due to the R&M's control of the same and their different priorities.

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

Prior to our appointment we under took a proper assessment of the risks to our independence. This assessment identified no real or potential risks to our independence though it did declare a number of relevant relationships. We were not aware of any reasons that would prevent us from accepting this appointment nor that would prevent us from continuing those appointments today. A copy of an updated DIRRI is attached at **Annexure 3**.

## 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 that RGL was incorporated as Teak Australia Limited on 26 May 1999. Teak Australia Limited subsequently changed its name to Forest Rewards Corporation Limited on 3 December 1999 before ultimately changing its name to Rewards Group Limited on 6 December 2002.

RGL is an unlisted public company with 19,500,000 issued shares. On 29 January 2010, RGL performed a 3.2 for 1 share split, increasing the total number of issued shares to 62,400,000. In conjunction with this share split, it is our understanding that RGL has also issued 6,240,000 options to existing shareholders on a pro rata basis. The options are to be exercised at any time up until 31 July 2015. A search of the ASIC database does not disclose this increase in shareholding.

The Company's registered office is listed as 50 Colin Street, West Perth, Western Australia.

#### 3.1.2 Company officers

As at the date of our appointment and the year leading up to our appointment, the Directors and officers were as follows:

Name	Role	Appointment Date	Cessation Date
Craig Ian Burton	Director	26 May 1999	Current
Craig Stephen Anderson	Director	5 December 2002	Current
David James Humann	Director	8 November 2004	Current
Andrew Radomiljac	Director	3 April 2000	Current
Barry Edwin Loller	Secretary	3 February 2010	Current
Brian James Aitken	Director	25 January 2007	15 February 2010
Jonathan Nesbit Willoughby	Secretary	19 January 2009	3 February 2010

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 RGL's top 20 shareholders to be:

Shareholders	Shares Held	% of Shares Held
Craig Ian Burton	7,020,000	11.25
Andrew Michael Radomiljac	4,020,000	6.44
Alison Mirelle Radomiljac	2,000,000	3.21
Thomas Kelly	1,200,000	1.92
Katrina Burton	1,000,000	1.60
Mark Robin Blanchard	1,000,000	1.60
Rondonia Investments Pty Ltd	1,000,000	1.60
Roslyn Blanchard	1,000,000	1.60
Jampala Investments Pty Ltd	1,000,000	1.60
Adam Rankine-Wilson	600,000	0.96
Craig Bromley	400,000	0.64
Daniel Wise	400,000	0.64
Peter John Fairweather	400,000	0.64
Jennifer Fairweather	300,000	0.48
William Brownlie Fairweather	300,000	0.48
Royden Nominees Pty Ltd	220,000	0.35
Alex Negoescu	200,000	0.32
David Bailey	200,000	0.32
Renaissance Corporation Pty Ltd	200,000	0.32
Shalom Super Pty Ltd	200,000	0.32
<b>Top 20 Shareholders</b>	<b>22,660,000</b>	<b>36.31%</b>
<b>Other Shareholders</b>	<b>39,740,000</b>	<b>63.69%</b>
<b>Total Shares on Issue</b>	<b>62,400,000</b>	<b>100.00%</b>

However, according to RGL's records, after the 3.2 for 1 split on 29 January 2010, the current shareholding is as follows:

Shareholders	Shares Held	% of Shares Held
Mangium Consulting Pty Ltd	12,800,000	20.51
Jardi Pty Ltd	12,480,000	20.00
Andra Holdings Pty Ltd	11,520,000	18.46
Katrina Burton	9,600,000	15.38
Tectona Pty Ltd	6,400,000	10.26
Andrew Michael Radomiljac	4,800,000	7.69
Alison Mirelle Radomiljac	4,800,000	7.69
<b>Total Shares on Issue</b>	<b>62,400,000</b>	<b>100.00%</b>

### 3.1.4 Registered chargeholders

A search of the corporate database maintained by the ASIC indicates the following charges are registered against RGL:

Chargeholder	Charge No.	Date Registered	Type of Charge
National Australia Bank Limited	1127012	31/01/2005	Fixed and Floating
Esanda Finance Corporation Limited	1038228	16/04/2004	Fixed
Esanda Finance Corporation Limited	1038230	16/04/2004	Fixed
Esanda Finance Corporation Limited	1044305	4/05/2004	Fixed
Esanda Finance Corporation Limited	1065354	6/07/2004	Fixed
Esanda Finance Corporation Limited	1065359	6/07/2004	Fixed
Esanda Finance Corporation Limited	1068751	14/07/2004	Fixed
Esanda Finance Corporation Limited	1070790	21/07/2004	Fixed
Esanda Finance Corporation Limited	1073691	4/08/2004	Fixed
Esanda Finance Corporation Limited	1083327	14/09/2004	Fixed
Esanda Finance Corporation Limited	1157633	6/05/2005	Fixed
CBFC Limited	1137640	2/03/2005	Fixed
CBFC Limited	1137644	2/03/2005	Fixed
CBFC Limited	1137637	2/03/2005	Fixed
CBFC Limited	1137634	2/03/2005	Fixed
Linetime Holdings Pty Ltd	1971805	11/05/2010	Fixed and Floating

The fixed charges noted above have been created over the following property:

Chargeholder	Charge No.	Property	Description	VIN/Chassis/Model No.	Serial/Engine No.
Esanda	1068751	Motorcycle	Yamaha Kodiak YFM45	5Y4AJ06W54A504922	J310E0039443
Esanda	1038230	Motor Vehicle	Mitsubishi Triton GLX Cab/Chassis)	MMBONK7704D026039	4M40YA2266
Esanda	1038228	Tractor	John Deere 4100	LV4100H312813	CH3010D030686
Esanda	1044305	Tractor	John Deere 5820	LO5820G385941	CD4045T819995
Esanda	1065354	Tractor	John Deere 4010 FWA Com	LV4010H112248	XCH3008DO13469X
Esanda	1065359	Motor Vehicle	Toyota Hilux 4x4 (Cab/Chassis)	JTFDV626X00022120	1KZ1124169
Esanda	1070790	Photocopier	Toshiba E450		CVD414590
Esanda	1083327	Tractor	John Deere 4010 FWA	LV4010H112248	XCH3008D013469X
Esanda	1157633	Motor Vehicle	Nissan Navara DX 4x4 Utility	JNICNUD22A0046886	ZD30046106
CBFC	1137640	Tractor	John Deere 4010	LV4010H310665	CH3008D017461
CBFC	1137637	Tractor	John Deere 4010	LV4010H310859	CH3006D018644
CBFC	1137634	Slasher	15ft Heavy Duty XH1500		C30102743402
CBFC	1137644	Motorcycle	Yamaha Kodiak 450CC	5Y4AJ06W14A504920	J31E0039397

We undertook a review of the above charges and determined all of them, apart from further investigations required into Linetime Holdings Pty Ltd's ("Linetime"), to be, prima facie, valid.

Section 266 of the Act provides that a charge may be considered void if its registered within six (6) months of the appointment of an Administrator/Liquidator. We note that the Linetime charge was created on 11 May 2010, five (5) days prior to the appointment of Administrators and this date falls within the relevant relation back date. We are currently reviewing the particulars of this charge in order to determine its validity and our investigations are continuing in this regard.

For completeness, we note that in accordance with the provisions of Section 450A(3) of the Act, we notified the Groups' secured creditors of our appointment as Administrators and advised their right to enforce their security within 13 business days of receiving the notification.

The NAB exercised its rights to appoint a R&M to the company on 19 May 2010 and appointed Peter Anderson, William Harris and James Thackray of McGrathNicol as Joint and Several Receivers and Managers to the Company.

### **3.1.5 Winding up applications**

There have been no winding-up applications against RGL.

## **3.2 Company history**

Incorporated on 26 May 1999 in Western Australia, the Company commenced trading as Teak Australia Limited, from premises on Level 2, 46-50 Kings Park Road, West Perth WA 6005. On 3 December 1999 the Company changed its name to Forest Rewards Corporation Ltd, it also changed its registered address to Ground Floor, 50 Colin Street, West Perth WA 6005 on 8 March 2002. The Company then changed its name to Rewards Group Ltd on 6 December 2002.

RGL is the ultimate parent company for the Group's agribusiness trading. RGL does not involve itself with the general running of the schemes as this is conducted by its subsidiaries, as shown below. RGL owns shares in the following subsidiaries (which carry out the running of the schemes):

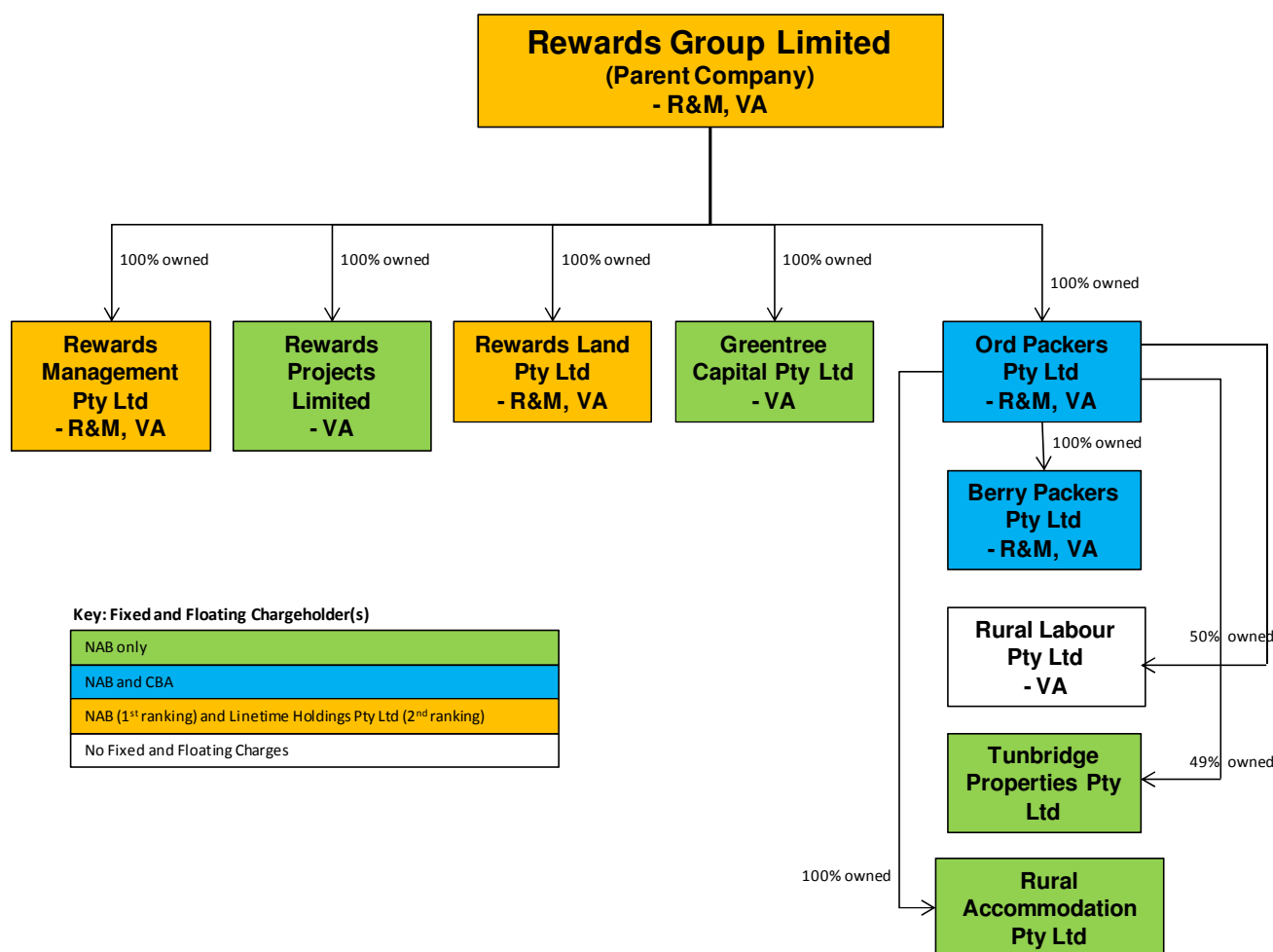
- 100% of the shares in RPL (responsible entity of all MIS Schemes);
- 100% of the shares in RMPL (Management company for the MIS Schemes);
- 100% of the shares in GCPL (finance company for the investor loan);
- 100% of the shares in OPPL (fruit packing entity);
- 100% of the shares in Probitas Finance Pty Ltd;
- 60.5% of the units in Ord Orchards Land Unit Trust; and
- 52.2% of the units in Pemberton Premium Vineyard Land Unit Trust.

We further note that OPPL has the following interest in these related companies:

- 100% of the shares in BPPL (operates packing services in Victoria and Queensland);
- 100% of the shares in Rural Accommodation Pty Ltd (provides accommodation services to rural workers);
- 50% of the shares in Rural Labour (labour hire company); and
- 49% of the shares in Tunbridge Properties Pty Ltd (owns a number of properties including two vineyards in Pemberton, Western Australia which are leased to RPL).

### **3.2.1 Group Structure**

As summarised above, RGL is the ultimate holding Company of the Group by way of its 100% ownership of the shares/units in RMPL, RPL, RLPL, GCPL and OPPL. Set out below is a diagram of the Group's corporate structure as at the date of our appointment.



### 3.3 Decision to appoint administrators

Representatives of Ferrier Hodgson first met with the Company's directors on 5 May 2010 to discuss its solvency and its options. In view of the Group's financial position and the lack of immediate funding alternatives available to the Company and to the Group, the directors of the company formed the opinion that the Company was or was likely to become insolvent, and resolved to appoint Administrators. The appointment took effect on 16 May 2010.

For further information, please see section 5.2 of for the explanation for the current financial position of the Company.

## 4. Historical financial information

### 4.1 Preparation of financial statements

RGL prepared financial statements up to 30 June 2009 which were audited by Ernst and Young.

RGL also maintained its own accounts on MYOB Enterprise and prepared various management accounts and reports on a monthly basis.

At section 7.2.3 of this report, we 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 our preliminary analysis.

Profit and Loss Summary	30 June 2007 \$	30 June 2008 \$	30 June 2009 \$
Other Income	409,425	200,012	206,295
<b>Total Income</b>	<b>409,425</b>	<b>200,012</b>	<b>206,295</b>
Expenses	(615,280)	(1,484,110)	(790,012)
<b>Profit/(Loss) Before Income Tax</b>	<b>(205,855)</b>	<b>(1,284,098)</b>	<b>(583,717)</b>
Income Tax (Expense)/Credit	124,961	(627,288)	168,419
<b>Net Profit/(Loss)</b>	<b>(80,894)</b>	<b>(1,911,386)</b>	<b>(415,298)</b>

In respect of the above, we make the following comments:

- Other Income consists of reversals of impairment provisions and dividends received from other investments;
- RGL has been operating at a loss since June 2007; and
- Expenses consist of impairment of investments, project expenses and interest and bank charges.

For completeness, we note that the accounts above for the year ending 30 June 2007, 30 June 2008 and 30 June 2009 have not been audited by the Administrators and accordingly, we express no comment in relation to the accuracy thereof.

## 4.3 Balance sheet and preliminary analysis

A summary of the Company's balance sheet for the past three (3) financial years is set out below together with our preliminary analysis:

Balance Sheet	30 June 2007 \$	30 June 2008 \$	30 June 2009 \$
<b>Assets</b>			
Current assets	-	2,999,325	102,814
Non-current assets	6,313,753	8,782,073	14,506,029
<b>Total Assets</b>	<b>6,313,753</b>	<b>11,781,398</b>	<b>14,608,843</b>
<b>Liabilities</b>			
Current liabilities	3,458,277	10,837,308	14,080,051
Non-current liabilities	-	-	-
<b>Total Liabilities</b>	<b>3,458,277</b>	<b>10,837,308</b>	<b>14,080,051</b>
<b>Surplus/(Deficiency)</b>	<b>2,855,476</b>	<b>944,090</b>	<b>528,792</b>

In respect of the above, we make the following comments:

- In 2009, the company recorded the lowest surplus of assets over the three year period. The main reasons for the decline relate to significant fall in current assets (being income tax receivable) and a significant increase in current liabilities (being payments owed to related parties);
- The non-current assets account consists of the value of investments in the particular subsidiaries of the Group; and

- The steady increase in current liabilities is due to increasing payments owed to related parties as mentioned above.

For completeness, we note that the accounts above for the year ending 30 June 2007, 30 June 2008 and 30 June 2009 have not been audited by the Administrators and accordingly, we express no comment in relation to the accuracy thereof.

## 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. We received the directors' Statements on 1 June 2010 and the various statements are consistent. Accordingly, they are referred to hereafter as one.

In the Statement, the directors detailed the Company's assets and liabilities at cost or net book value but failed to provide ERVs.

The following table summarises the assets and liabilities described in the directors' Statement.

Statement as at 16 May 2010	Report Reference	Directors' Statement \$	Administrators' ERV \$
<b>Assets:</b>			
Sundry debtors	5.1.1	117,028	Unascertained
Cash at bank	5.1.2	1,143	158
Inventory	5.1.3	Nil	Unascertained
Plant and Equipment	5.1.4	Nil	Unascertained
Less: Secured Creditor		Nil	Undisclosed
Office Equipment	5.1.4	Nil	Unascertained
Other Assets	5.1.5	14,465,098	Unascertained
<b>Total Available Assets</b>		<b>2,374,170</b>	<b>Unascertained</b>
<b>Liabilities:</b>			
Less: Priority creditors		Nil	Nil
Employee entitlements payable in advance of secured creditors	5.1.6	Nil	Nil
- Secured creditors	5.1.7		
NAB		Undisclosed	Undisclosed
CBFC		Undisclosed	Undisclosed
Esanda		Undisclosed	Undisclosed
Linetime Holdings Pty Ltd		(1,783,643)	(1,783,643)
Contingent liabilities		Nil	Nil
Available to Unsecured Creditors		Unascertained	Unascertained
Ordinary unsecured creditor claims	5.1.8	12,311,657	12,311,657
<b>Estimated Surplus/(Deficiency)</b>		<b>Unascertained</b>	<b>Unascertained</b>

The estimated realisable values set out above are based on the directors Statement and the company's books and records and are not necessarily endorsed by the Administrators. The Administrators have not audited the company's records or the Directors Statement. The Administrators have provided their own ERV with respect to certain items of the company's liability and cash position only.

As such, the above schedule should not be used to determine the likely return to creditors as realisations and return will depend upon the R&M's future steps taken in relation to extracting value from the Group for the NAB.

In respect of the above, we make the following comments:

### 5.1.1 Sundry debtors

The following table summarises RGL's sundry debtors according to the Statement:

Investment	Amount
	\$
Rewards Projects Ltd	117,028
<b>Total</b>	<b>117,028</b>

We note that no debts have been collected since our appointment and given the appointment of the R&M over the Company, any amounts recovered will likely be used to reduce the secured creditor's debt.

For further information concerning inter-company collectibles, this section should be read in conjunction to the other respective Group entities' Section 439A(4)(a) reports, available from the Ferrier Hodgson website.

### 5.1.2 Cash at bank

We also note that the directors Statement discloses cash at bank of \$1,143 as at the date of my appointment. Immediately upon our appointment we issued instructions to RGL's banker, ANZ to freeze all bank accounts and to transfer the outstanding cash balance to a new account subject to our control. A total of \$158 was held in RGL's bank accounts at the date of our appointment, which was transferred to the Administrators' new account.

### 5.1.3 Inventory

The directors' Statement (and consistent with the Company's records) revealed that there was no stock on hand at appointment.

### 5.1.4 Plant, equipment and office furniture

The directors' Statement (and consistent with the Company's records) revealed that there was no plant, equipment and office furniture on hand at appointment.

### 5.1.5 Other Assets

The Directors' Statement discloses that the company had the following investments in these entities:

Other Assets	Amount
	\$
Rewards Projects Ltd	5,374,320
Rewards Management Ltd	100
Rewards Land Pty Ltd	100
Greentree Capital Pty Ltd	9,011,828
Ord River Co-Op	1,750
Investment in Teak Project	77,000
<b>Total</b>	<b>\$14,465,098</b>

RGL owns 100% of the shares in RPL, RMPL, RLPL and GCPL in respect of which the stated consideration paid is as above.

A review of RGL's records show that it also owns 60.5% of the units on issue of the Ord Orchards Land Unit Trust, as well as 52.2% of the units on issue of the Pemberton Premium Vineyard Land Unit Trust.

### 5.1.6 Employee Entitlements

The company did not employ any contractors or employees to carry out any activities, as it contracted all services through its subsidiary, RMPL, being the management entity for the MIS Schemes. As such, there were no outstanding employee entitlements as at the date of our appointment due by RGL.

### 5.1.7 Secured creditors

As outlined in section 3.1.4, the chargeholders below hold secured charges charged over certain assets and substantially all of the assets of RGL:

Chargeholder	Charge No.	Date Registered	Type of Charge
National Australia Bank Limited	1127012	31/01/2005	Fixed and Floating
Esanda Finance Corporation Limited	1038228	16/04/2004	Fixed
Esanda Finance Corporation Limited	1038230	16/04/2004	Fixed
Esanda Finance Corporation Limited	1044305	4/05/2004	Fixed
Esanda Finance Corporation Limited	1065354	6/07/2004	Fixed
Esanda Finance Corporation Limited	1065359	6/07/2004	Fixed
Esanda Finance Corporation Limited	1068751	14/07/2004	Fixed
Esanda Finance Corporation Limited	1070790	21/07/2004	Fixed
Esanda Finance Corporation Limited	1073691	4/08/2004	Fixed
Esanda Finance Corporation Limited	1083327	14/09/2004	Fixed
Esanda Finance Corporation Limited	1157633	6/05/2005	Fixed
CBFC Limited	1137640	2/03/2005	Fixed
CBFC Limited	1137644	2/03/2005	Fixed
CBFC Limited	1137637	2/03/2005	Fixed
CBFC Limited	1137634	2/03/2005	Fixed
Linetime Holdings Pty Ltd	1971805	11/05/2010	Fixed and Floating

The fixed charges noted above have been created over the following property:

Chargeholder	Charge No.	Property	Description	VIN/Chassis/Model No.	Serial/Engine No.
Esanda	1068751	Motorcycle	Yamaha Kodiak YFM45	5Y4AJ06W54A504922	J310E0039443
Esanda	1038230	Motor Vehicle	Mitsubishi Triton GLX Cab/Chassis)	MMBONK7704D026039	4M40YA2266
Esanda	1038228	Tractor	John Deere 4100	LV4100H312813	CH3010D030686
Esanda	1044305	Tractor	John Deere 5820	LO5820G385941	CD4045T819995
Esanda	1065354	Tractor	John Deere 4010 FWA Com	LV4010H112248	XCH3008DO13469X
Esanda	1065359	Motor Vehicle	Toyota Hilux 4x4 (Cab/Chassis)	JTFDV626X00022120	1KZ1124169
Esanda	1070790	Photocopier	Toshiba E450		CVD414590
Esanda	1083327	Tractor	John Deere 4010 FWA	LV4010H112248	XCH3008D013469X
Esanda	1157633	Motor Vehicle	Nissan Navara DX 4x4 Utility	JNICNUD22A0046886	ZD30046106
CBFC	1137640	Tractor	John Deere 4010	LV4010H310665	CH3008D017461
CBFC	1137637	Tractor	John Deere 4010	LV4010H310859	CH3006D018644
CBFC	1137634	Slasher	15ft Heavy Duty XH1500		C30102743402
CBFC	1137644	Motorcycle	Yamaha Kodiak 450CC	5Y4AJ06W14A504920	J31E0039397

We note that the secured portion of CBFC and Esanda's debt will be limited to the assets as charged above.

The amount owing to the NAB is approximately \$26m and the Directors have disclosed that the Directors have described that the amount owing to Linetime is \$1,783,643.

Section 266 of the Act provides that a charge may be considered void if its registered within six (6) months of the appointment of an Administrator/Liquidator.

We further note that the Linetime charge was created five (5) days prior to the appointment of Administrators and this date falls within the relevant relation back date. We are currently reviewing the particulars of this charge in order to determine its validity.

The NAB exercised its right to enforce their security by appointing R&M's.

### 5.1.8 Ordinary unsecured creditors

The Directors' Statement summarises the ordinary unsecured creditors as follows:

Unsecured Creditor	Value
	\$
RMPL	12,107,130
GCPL	100,826
The ARK Fund	103,701
<b>Total Unsecured Creditors</b>	<b>\$12,311,657</b>

Our preliminary view which is supported by the Company's accounting records indicates that RGL owes the above related parties a total of \$12,311,657.

The likely return on the related entity loans is subject to the financial capabilities of the entities within the Group and a liquidators investigation into the realisations of those particular assets.

For completeness, we note that creditors should be aware the Act allows a creditor to apply to the Court to set aside or modify a resolution authorising the execution of a DOCA if the resolution carries as a consequence of a related entity vote. Similarly, a defeated resolution for the Company to be wound up may be declared carried, if defeated by the vote of a related entity.

At the date of this report we are unable to ascertain the Company's liability to unsecured creditors as the amount is subject to the receipt and adjudication of final proofs of debt from creditors.

### **5.1.9 Omissions from Statement**

As noted above a search of the corporate database maintained by the ASIC indicated that a number of charges held with NAB, Esanda, CBFC and Linetime are registered against RGL.

It appears that the directors' have omitted the specific details of these charges, other than Linetime's, in their Statement. We are not aware of any other omissions from the Statement outside of those disclosed in this report.

## **5.2 Explanation for current financial position**

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

- Industry collapse;
- Exit of external funders;
- Increasing debtors;
- MIS sales decreasing; and
- Difficulty in raising equity capital.

In addition to the above comments by the Directors', we have identified the following causes of failures from our preliminary review of the financial records and the business:

- Inherent risks associated with the horticultural and agricultural industry;
- Failure to enforce payment terms with related party Companies.
- Recent reduced investor confidence in MIS is resulting in a deteriorating Industry;
- Lack of willing external funders; and
- Lack of adequate working capital.

## **6. Trading by Administrators**

### **6.1 Overview**

The Administrators assumed control of the business upon appointment and continued the company's activities. We note however that RGL did not control the management or any services in relation to the MIS schemes, there was ultimately no trading conducted for RGL. We do note however that a number of assets (leased or rented) were disclaimed by the Administrators, given the R&M's control over certain entities within the Group.

The company's operations were continued during the period of the Administration up till the date (19 May 2010) of the appointment of the R&M. Since 19 May 2010, the R&M has been responsible for the company's operations generally.

## 6.2 Summary of receipts and payments

A summary of the Administrators' receipts and payments for the period 16 May 2010 to 31 July 2010 is included within Part B of the Administrators' Remuneration Report in **Annexure 1**.

## 7. Statutory investigations

### 7.1 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.

The investigations that an administrator is required to undertake, 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.

Any 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 2** 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. We investigated matters to the extent possible in the time available, and have noted with specific reference below where we believe further investigation is desirable.

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

- The directors' Statement and a detailed questionnaire concerning the Company's affairs prepared by the directors;
- Communications with the secured creditor regarding the nature and amount of the debt owed. The secured creditor confirmed the information supplied by the Company;
- Discussions with the directors, their advisors and employees of the Company;
- A search of the ASIC records relating to the Company and any related entities;
- Searches obtained from the Department of Planning and Infrastructure and State Land Titles offices; and
- An examination of the Company's books and records including its financial statements and management accounts (to the extent that such were made available to us).

## 7.2 The Company's solvency

### 7.2.1 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 strict application of the cash flow or 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:

- The degree of illiquidity. A temporary lack of liquidity is not conclusive;
- 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.

### 7.2.2 Preliminary determination

Set out below is a summary of our preliminary investigations and our preliminary determination as to the Company's solvency.

## Review of the Company's bank facilities for the period 1 July 2009 to 16 May 2010.

The Company maintained two (2) bank accounts with the ANZ and neither were overdraft facilities:

Account Name	Amount as at 16 May 2010 (\$)
RG ANZ IPO Account	90
RG ANZ Operating Account	55
<b>Total Creditors</b>	<b>\$145</b>

### *IPO Account*

Our preliminary investigations indicate that the majority of funds deposited into this account were interest monies received from the account referred to as "RGP IPO." These receipts were only minor, totalling \$451 over this 10-11 month period.

The majority of outflows related to bank charges and other bank account fees. These payments were also only minimal, totalling \$361 over this 10-11 month period.

### *Operating Account*

Our preliminary investigations indicate that the funds deposited into this account were done so in error or were minimal interest monies received. These receipts were only minor, totalling \$1,100 over this 10-11 month period.

The majority of outflows related to reversals of receipts made in error, bank charges and other bank account fees. These payments were also only minor, totalling \$1,046 over this 10-11 month period.

## Aged payables review

The table below sets out an analysis of the aged payables as at 16 May 2010:

	Current \$	30 Days \$	60 Days \$	90+ Days \$	Total \$
External Trade Creditors	-	-	-	-	-
Related party Creditors	12,311,657	-	-	-	<b>12,311,657</b>
<b>Total Creditors</b>	<b>12,311,657</b>	-	-	-	<b>12,311,657</b>
Percentage of total	100%	0%	0%	0%	<b>100%</b>

We comment on the above analysis as follows:

- The only creditors of RGL are related party creditors, we note that there are no trade creditors of RGL. As these related party transactions have no specified due date, they have not been treated as being due and payable.

Further, my review indicates that RGL does lease certain assets, with the lease payments being met by RMPL, being the management company of all the MIS Schemes.

## Profitability and Working Capital

The working capital position determines whether or not a Company can, prima facie, pay its immediate debts with its immediate assets. A positive working capital is demonstrated when current assets exceed current liabilities.

Balance Sheet as at	30-Jun-07	30-Jun-08	30-Jun-09
	(\$)	(\$)	(\$)
Current assets	-	2,999,325	102,814
Current liabilities	(3,458,277)	(10,837,308)	(14,080,051)
<b>Working Capital / (deficiency)</b>	<b>(3,458,277)</b>	<b>(7,837,983)</b>	<b>(13,977,237)</b>
Working Capital Ratio	0.00	0.28	0.007

The Company operated with a working capital deficit for the financial year end 2007 to 2009 inclusive, and a worsening loss position during the 2008 to 2009 period leading up to our appointment.

In view of the above, we consider the Company was arguably insolvent from a working capital perspective as early as 30 June 2007. As noted earlier however, in determining insolvency the balance sheet test is not considered to be as conclusive as the cashflow test which we discuss further below.

## Cashflow Test

As noted, the question of solvency turns upon when the directors had reasonable grounds to suspect that the company would not be able to meet its debts as and when they fell due. Although RGL did not have debts that were due and payable in the traditional sense, they may therefore not have had a cash flow deficiency, however, the directors were aware that those related parties, did, as a matter of fact, need the sums to be paid in order that those entities in order that same could address their own solvency issues.

## Net Assets

The net position of RGL is summarised in the below table;

Balance Sheet as at	30-Jun-07	30-Jun-08	30-Jun-09
	(\$)	(\$)	(\$)
Total assets	6,313,753	11,781,398	14,608,843
Total liabilities	(3,458,277)	(10,837,308)	(14,080,051)
<b>Net Assets</b>	<b>2,855,476</b>	<b>944,090</b>	<b>528,792</b>
<b>Net Asset Ratio</b>	<b>1.83</b>	<b>1.09</b>	<b>1.04</b>

In respect of the above, we make the following comments:

- Net assets remained positive to the end of 30 June 2009 but was deteriorating from 2007 to 2009.
- The deterioration in RGL's net assets position was due to an increase in related party loans.

## Payment of statutory commitments including Superannuation Guarantee Charge

The records of the Company disclose that the following statutory payments were due for payment at the date of our appointment:

### *Superannuation*

Payment of statutory commitments is not applicable to RGL as it did not pay employee wages or entitlements.

### *GST*

At the date of our appointment, the Company's records indicate that there is no debt owed to the ATO in respect of GST liabilities.

### *Preliminary View of Insolvency*

We have summarised in the table below the likely dates the Company was insolvent according to the analysis performed above:

Analysis	Likely Date of Insolvent
Review of the company's bank facilities	N/A
Aged Payable Review	N/A
Finance Commitment Review	N/A
Profitability	June 2007
Working Capital	June 2007
Net Assets	N/A
Statutory Commitments	N/A

RGL is bound by a Deed of Cross Guarantee with RMPL and therefore would be liable for the debts of RMPL if RMPL was unable to meet these debts. Therefore RMPL's investigations into the likely insolvency date would need to be reviewed before forming a final view as to the timing of insolvency.

Also, as advised earlier, RGL is the holding company for the Group and may (having regards to Section 588V of the Act – when the Head Company becomes liable for insolvent trading) therefore would be liable for all the Groups liabilities if the individual entities are unable meet there debts. The insolvency dates for the other entities within the Group would also need to be taken into account when determining RGL's insolvency date. Tabled below is the likely insolvency date for the other entities of the Group:

Entity	Likely Date of Insolvent
GCPL	16 May 2010
RPL	Further Work Required
RLPL	June 2008
RMPL	July 2009
OPPL	October 2009
BPPL	October 2009
Rural Labour	December 2009

**Based on the above analysis, it is our preliminary view that RGL may have become insolvent as early as July 2009.**

A liquidator would need to conduct further investigations, and possibly conduct public examinations of relevant parties, to ultimately determine whether or not the Company, became insolvent at that time or earlier.

### 7.2.3 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.

Our 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.

## 7.3 Potential liquidator recoveries - voidable transactions

### 7.3.1 Unfair preferences

Our preliminary investigations into the Company's affairs reveal that there are no payments which were made to suppliers which may be voidable as unfair preferences:

Factors which indicate these payments might be unfair preferences are:

- Payments in response to winding up applications, statutory demands and other pressure from the creditor;
- Repayment plans with the creditor; and
- Significant 'round' payments were made to the creditor.

The payments would be protected if the creditor from whom the liquidator seeks to recover:

- Became a party to the transaction in good faith; and
- At the time when they became a party:
  - They had no reasonable grounds for suspecting that the Company was insolvent at that time, or would become insolvent; and
  - A reasonable person in that person's circumstances would have had no such grounds for so suspecting; and
- Provided valuable consideration under the transaction or has changed their position in reliance on the transaction.

A creditor seeking protection must prove all three elements.

Further, where a creditor received a series of payments as part of a so called 'running account' and their overall indebtedness increases over the same period, the creditor is taken not to have received an unfair preference. This is called 'the running account defence'.

A liquidator would likely seek legal advice on the strength of a claim including the applicability of these defences. It is likely any recovery action commenced by a liquidator would be defended. Therefore, costs are a major consideration.

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For the purposes of this report, we estimate potential recoveries from unfair preferences to be nil. Please note this is an estimate only. There is no guarantee that a liquidator would recover funds if there was a potential recovery or that costs ultimately dissipate the benefit to creditors.

### **7.3.2 Uncommercial transactions**

Our 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. We do note however that a liquidator would be required to conduct further investigations in respect of transaction of this nature before determining whether it may result in recoveries for the benefit of creditors.

### **7.3.3 Unfair loans**

Based on our investigations to date, the Company was not a party to any unfair loans. However, if a liquidator were appointed, they would perform further work and investigation in respect of this area before concluding on the availability of any recoveries for the benefit of creditors.

### **7.3.4 Unreasonable director-related transactions**

Based on our investigations to date, the Company was not a party to any unreasonable director-related transaction. However, if a liquidator were appointed, they would perform further work and investigation in respect of this area before concluding on the availability of any recoveries for the benefit of creditors.

### **7.3.5 Obstruction of creditors' rights**

Section 588FE of the Act provides for the voiding of transactions designed to defeat, delay or interfere with creditors rights.

Our preliminary investigations have not identified transactions entered into by the Company intended to obstruct creditors' rights and which would give rise to recoveries for the benefit of creditors.

### **7.3.6 Voidable charges**

Our preliminary review of the books and records considers the NAB, Esanda and CBFC charges to be, prima facie, valid.

Section 266 of the Act provides that a charge may be considered void if its registered within six (6) months of the appointment of an Administrator/Liquidator. We note that the Linetime charge was created five (5) days prior to the appointment of Administrators and this date falls within the relevant relation back date. We are currently reviewing the particulars of this charge in order to determine its validity.

## **7.4 Potential liquidator recoveries - insolvent trading**

### **7.4.1 Director liability**

Based on our analysis at Section 7.2.2 of this report, we indicated it was probable that the Company was possibly insolvent from as early as July 2009, and that the directors would have had reasonable grounds for suspecting so. Based on that analysis, we have formed the preliminary view that the Company traded whilst it was insolvent. In their defence, the directors could argue:

- A reasonable expectation that the company was or would remain solvent due to the fact that a recapitalisation of the Group was being planned;
- When it appeared that the recapitalisation efforts were unlikely to go ahead, the directors took actions (sought advice on 6 May 2010) which lead to the appointment of the Administrators on 16 May 2010; and
- The Group was able to secure further funding from NAB early in March 2010.

Again, a liquidator would likely seek legal advice on these issues and conduct more investigations possibly including a public examination.

The costs of proceeding with an insolvent trading action must be considered as does the personal financial capacity of the directors to pay a judgement obtained against them. The latter issue is addressed in Section 7.8 which notes that we are unaware of the directors' likely personal asset base and whether same would withstand a potential claim from a future appointed Liquidator (if any).

Presently, it is our preliminary view that while an insolvent trading action may not be commercially viable on its own for the Company, it may be advanced in unison with other insolvent trading claims within the Group, and potentially against the Group's Directors' and Officer's Insurer.

## **7.5 Other potential liquidator recoveries**

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

Sections 180, 181, 182 and 183 of the Act, impose fiduciary duties on the directors to:

- Exercise their powers and duties in relation to the company with a degree of care and diligence;
- To act good faith and for a fit and proper purpose that is in the best interests of the corporation;
- To prevent conflicts arising between personal interest and the company's interest;
- An obligation to act only in the best interests of the company; and
- To avoid improper use of specific information that has been obtained through the directors' work with the company to gain directly or indirectly an advantage.

The objective test or standard of measure in the suspected breach of conduct of above is the reasonableness of the actions taken by directors and requiring the directors to demonstrate that their actions are the same degree and level that would be required of an ordinary reasonable person holding a similar position and responsibility in the same circumstances.

Our investigations with respect to whether there have been any breaches of directors' duties are continuing.

### 7.5.2 Arrangements to avoid employee entitlements

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

### 7.5.3 Debts incurred by Company as trustee

Pursuant to Section 197 of the Act, a director of a company, when it incurs a liability while acting or purporting to act as trustee, is liable to discharge the liability if the company:

- (a) Has not, and cannot, discharge the liability or that part of it; and
- (b) Is not entitled to be fully indemnified against the liability out of trust assets.

This is so even if the trust does not have enough assets to indemnify the trustee. The person is liable both individually and jointly with the company and anyone else who is liable under the section.

We are not aware of any debts incurred by RGL incurred in a capacity as a corporate trustee to which it may be liable to pay.

## 7.6 Possible offences

We are vigilant to identify and report possible offences to relevant authorities and in certain instances, contraventions of the Act may avail civil penalty provisions for the benefit of creditors.

## 7.7 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	TBD	Nil
Unfair loans	TBD	Nil
Unreasonable director related transactions	TBD	Nil
Transactions undertaken to obstruct creditors' rights	Nil	Nil
Compensation from director for insolvent trading	TBD	Nil
Compensation from holding company for insolvent trading	Nil	Nil
Breaches of directors duties	TBD	Nil
Avoidance of employee entitlements	Nil	Nil
Debts incurred by Company as trustee	Nil	Nil
<b>Total</b>	<b>TBD</b>	<b>Nil</b>

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

The merits of any potential insolvent trading action by a Liquidator would need to be considered in light of the Directors' net asset position. We have requested that all the directors provide a statement of their financial position however no such statement has been forthcoming.

Our preliminary investigations (including land, vehicles and shareholding searches) have revealed that the Directors' net asset position is subject to a mixture of personal and corporate interests. Further investigations will be required in regards to the directors' net asset positions. It appears their personal net assets positions does depend on the outcome of the R&M's work within the Group, as a result of personal guarantees for Group debts or with a view to equity potentially being available from certain of the Group companies.

For completeness, we are also looking to ascertain as to whether a directors' and officers' insurance policy may respond to any claims brought by a liquidator.

## 7.9 Report to ASIC

Section 438D of the Act requires us to lodge a report with the ASIC should we become aware of:

- Any offences committed by a past or present officer of any of the company's over which we are appointed;
- Evidence that monies or property has been misapplied or retained; and
- Evidence that a party is guilty of negligence, default, breach of duty or breach of trust in relation to any of the company's over which we are appointed.

Based on our limited investigations conducted to date, we advise that we are not preparing a preliminary report to the ASIC in respect to the Company at this time. Creditors should also be aware that any report lodged pursuant to Section 438D (or an investigative report lodged by a liquidator pursuant to Section 533 of the Act) is not available to the public.

## 8. Creditors' options, dividend estimates & cost estimates

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

- Administration to end;
- Company to be wound up;
- Adjourn the meeting for a period not exceeding forty five (45) business days;
- Company to execute a DOCA.

Given that no DOCA proposal has been put forward, this option falls away. Accordingly, creditors have the options of resolving that the administration end; that the Company be wound up; or that the meeting be adjourned.

In forming our opinion, it is necessary to consider an estimate of the dividend creditors might expect, and the likely costs under each option; however in the current circumstances such estimates are not available or may be difficult to predict with accuracy.

### 8.1 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 our 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. We are unable to say what the Company might ultimately pay creditors or what costs it might incur.

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

## 8.2 Winding up of Company

In the absence of a DOCA proposal, the winding up of the Company is the only commercial option remaining. Given the nature, size and costs involved in realising the value of the asset and potential recoveries in a liquidation scenario, it is difficult to determine with any degree of certainty the likely level of return to unsecured creditors that would arise from liquidation. Accordingly, we do not recommend this course of action while there remains a real prospect of a DOCA proposal from RGAG.

The costs of winding up the Company's affairs are estimated at \$200,000 (excl GST), though these costs would be considerably higher in the event that the potential claims referred to above at Section 7 of this report are pursued.

Therefore, the Administrators' opinion is that it is not in creditors' best interests for the Company to be wound up immediately and placed into liquidation at this time.

## 8.3 Adjourn Meeting

In view of the funding arrangement with RGAG noted at section 2.3 and a letter (see **Annexure 4**) from RGAG indicating an intention to submit a DOCA proposal for a possible restructure of the Group, including the Company, we consider it would be in creditors' best interests to resolve to adjourn the meeting of creditors for a period not exceeding forty-five (45) business days for the following reasons:

- The adjournment would enable RGAG to finalise its DOCA proposal for the Group for creditors' and growers' consideration;
- The DOCA proposal put forward by RGAG may provide a superior return to creditors than if the Company was immediately wound up and may have benefits for other stakeholders than if the Company were immediately wound up;
- The RGAG is attempting to find a solution to the Group's/Company's current financial predicament and situation with a view to repaying secured creditors in full, unsecured creditors a better outcome than on a winding up, as well as preserving scheme assets for the benefit of growers;
- Whilst the adjournment period is in place, RGAG would continue to provide funding to the Administrators to keep the schemes on foot and conduct maintenance works on various scheme properties. We note that the RGAG has already contributed a significant amount of funding (approximately \$1.5M) to the Administrators and maintenance works have and are continuing to be conducted on various scheme properties as a result of having being funded by RGAG.

It is difficult to estimate the cost of adjourning the meeting of creditors. During the period of the adjournment, some costs will be incurred in continuing investigations that would otherwise be undertaken in a liquidation, while other costs will relate more specifically to RGAG's due diligence information requests, reporting to creditors and to re-convening the second meeting of creditors (in the event that creditors resolve to adjourn the forthcoming meeting). Our estimate of the marginal costs is

\$75,000, upon which we would report to creditors in a supplementary report pursuant to section 439A of the Act in order that approval of such costs may then be considered by creditors.

It is even more difficult to estimate the benefits attributable to an adjournment, other than to note that there is currently a high risk of a nil return to creditors in the event that the Company is immediately placed into liquidation. Accordingly, the improved prospect of a dividend that may be attributable to a future DOCA proposal is considered to be of value to creditors. We note that the Administrators' costs associated with an adjournment will only be paid in the event that there are assets to satisfy such costs and creditors or the court approve same.

Therefore, the Administrators' opinion is that it is in creditors' best interests for the Company to adjourn the second meeting for a period of not more than forty five (45) business days.

## 9. Administrators' opinion

As stated in section 8.1 above, the option of the administration ending is clearly not viable. The only remaining option available to creditors is to wind up the Company or to adjourn the second meeting of creditors for a period of not more than forty five (45) business days, in order that a proposal for a DOCA may be developed concurrent with further investigations being undertaken as to potential recoveries available in a winding up

From the information set out in sections 5 and 8.2 of this report, we are unable to estimate the likely return to creditors should the Company be wound up immediately, though we note there is a real possibility that the return will be nil. Accordingly, based upon the above, it is our opinion that creditors should resolve to adjourn the second meeting of creditors for a period not exceeding forty-five (45) business days.

## 10. Administrators' remuneration report

Pursuant to Section 449E of the Act, we enclose as **Annexure 1** the Administrators' Remuneration Report. At the second meeting of creditors, we intend seeking approval of the remuneration set out in the remuneration report. Details of disbursements incurred are also included in the remuneration report.

## 11. Further queries

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

In the meantime, should creditors have any queries, please do not hesitate to contact Jamie Gunnis of this office.

DATED this 9<sup>th</sup> day of August 2010.



**Martin Jones**  
Joint and Several Administrator

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# **Annexure 1**

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## **Administrators' Remuneration Report**

**CORPORATIONS ACT 2001**

**Section 449E**

**REWARDS GROUP LIMITED ACN 087 702 547  
(Receivers and Managers Appointed)(Administrators Appointed)**

**REMUNERATION REPORT**

The Administrators' Remuneration Report, prepared pursuant to Section 449E of the Corporations Act 2001, 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 claimed for the period 16 May 2010 to 31 July 2010.
- A3 Schedule of Administrators' anticipated tasks and estimated remuneration for the period 1 August to 15 August 2010.
- A4 Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and estimated remuneration from 16 August 2010 to the conclusion of the liquidation.
- A5 Resolutions regarding remuneration to be put to creditors at the 2nd creditors meeting convened for 16 August 2010.

**Part B**

- B1 Administrators' Disbursements for the period 16 May 2010 to 31 July 2010.
- B2 Summary of Receipts and Payments for the period 16 May 2010 to 31 July 2010.
- B3 Other creditor information on remuneration.
- B4 Initial advice to creditors.

The Remuneration Report must be read in conjunction with the Administrators' report to creditors dated **9 August 2010**.

## PART A

### A1 SCHEDULE OF HOURLY RATES & GENERAL GUIDE TO STAFF EXPERIENCE

Title	Rate (\$) As at 1 Aug 2010	Previous Rate (\$)	Experience
Partner/Principal/Appointee	540	540	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	475	460	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	400	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	335	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	295	285	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	265	255	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	235	230	Generally, 2-3 years chartered accounting or insolvency management experience. University degree, ICAA's CA program commenced.
Intermediate 1	190	185	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	160	155	0 – 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes direction from senior staff in completing more complex administrative tasks.
Senior Secretary	155	150	Appropriate skills including machine usage.
Clerk/Junior	135	130	Generally non qualified administrative assistant. Classification depends on experience, salary and complexity of work to be completed.

**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 claimed for the period 16 May 2010 to 31 July 2010

Administrators' fees, based on the tasks detailed below and covering the period 16 May 2010 to 31 July 2010 are **\$124,912** (exclusive of GST)

Task Area	General Description	Includes
<b>Assets</b>  <b>100.50 hours</b> <b>\$24,816.50</b>	Sale of business as a going concern	<ul style="list-style-type: none"> <li>▪ Corresponded with interested parties</li> <li>▪ Maintained interested parties schedule</li> <li>▪ Conducted internal meetings to discuss potential restructuring options</li> <li>▪ Met with secured creditors and R&amp;M to discuss restructuring options</li> <li>▪ Provided updates to interested parties</li> <li>▪ Prepared confidentiality agreement for distribution to interested parties</li> <li>▪ Referred interested parties onto Receivers and Managers, as appropriate</li> </ul>
	Leasing	<ul style="list-style-type: none"> <li>▪ Reviewed lease contracts</li> <li>▪ Prepared lease disclaimers</li> <li>▪ Prepared lease asset schedule and summarised leases</li> <li>▪ Corresponded with Receivers and Managers regarding leases</li> <li>▪ Liaised with owners/lessors</li> <li>▪ Sent letter to owners/lessors notifying them of the administrators appointment</li> <li>▪ Liaised with the Receivers and Managers in relation to disclaiming leased assets</li> <li>▪ Determined the preliminary benefits to creditors of retaining leased assets</li> <li>▪ Conducted preliminary tasks associated with disclaiming leases</li> <li>▪ Corresponded with lessors regarding applications to the Supreme Court of WA for an extension of 5 business day grace period for dealing with leases</li> </ul>
	Other asset-related tasks	<ul style="list-style-type: none"> <li>▪ Reviewed intercompany loan debtors and prepared Informal Proofs of Debt for first creditors meeting</li> </ul>
<b>Creditors</b>  <b>139.50 hours</b> <b>\$32,520.50</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Received and followed up creditor enquiries via telephone and email</li> <li>▪ Prepared and maintained the Frequently Asked Questions ('FAQ') document</li> <li>▪ Prepared updates to be posted to the Ferrier Hodgson website</li> <li>▪ Reviewed and prepared correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Corresponded with creditors regarding status of the administration</li> </ul>
	Creditor reports/circulars	<ul style="list-style-type: none"> <li>▪ Prepared initial circular to creditors advising of appointment</li> <li>▪ Planning and internal meetings to discuss the preparation of the Administrators' section 439A report</li> </ul>
	Dealing with proofs of debt ('POD's')	<ul style="list-style-type: none"> <li>▪ Collated creditor listings from information provided by RMPL staff</li> <li>▪ Prepared and maintained proof of debt register</li> <li>▪ Entered informal proofs of debt into register and adjudicated upon validity of claims for first creditors meeting</li> <li>▪ Filed informal proofs of debt</li> <li>▪ Considering issues relating to quorum for first creditors meeting</li> </ul>

Task Area	General Description	Includes
<b>Creditors (Cont'd)</b>	Meeting of Creditors	<ul style="list-style-type: none"> <li>▪ Received and followed up on creditor queries in relation to the creditors meeting</li> <li>▪ Prepared first meeting documents such as notices, proxies and advertisements</li> <li>▪ Forwarded notice of meeting to all known creditors and investors</li> <li>▪ Setup a web casting facility for the creditors meeting and corresponded with various parties in relation to the setup of this facility</li> <li>▪ Conducted internal meetings to prepare for the creditors meeting</li> <li>▪ Prepared and maintained register of proxies</li> <li>▪ Reviewed, adjudicated validity of proxy forms and contacted creditors with invalid proxies</li> <li>▪ Prepared meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting</li> <li>▪ Prepared presentation for the creditors meeting</li> <li>▪ Attended and chaired first creditors meeting</li> <li>▪ Answered creditor's queries after meeting</li> </ul>
	Secured creditors	<ul style="list-style-type: none"> <li>▪ Prepared notification of Administrators appointment to chargeholders</li> <li>▪ Reviewed charge documents and consider terms of repayment under loan facility</li> <li>▪ Meetings and discussions with the Receivers and Managers regarding the status of the administration</li> </ul>
	Committee of Creditors	<ul style="list-style-type: none"> <li>▪ Prepared initial circular to Committee of Creditors and created contact listing</li> <li>▪ Corresponded with committee members to determine availability to attend committee meeting</li> <li>▪ Prepared for and attended Committee of Creditors meeting</li> <li>▪ Prepared and reviewed minutes of committee meeting</li> </ul>
<b>Administration</b>  <b>211.20 hours</b> <b>\$48,108.50</b>	Correspondence	<ul style="list-style-type: none"> <li>▪ Prepared general correspondence to numerous parties in regard to the appointment</li> <li>▪ Prepared notification letters to various government departments</li> <li>▪ Internal meetings to discuss ongoing communications strategy</li> <li>▪ Corresponded with utility providers regarding the appointment and ongoing requirements</li> <li>▪ Prepared circulars to creditors providing regular updates in relation to the status of the administration</li> </ul>
	Document maintenance/ file review/ checklist	<ul style="list-style-type: none"> <li>▪ Filed documents</li> <li>▪ Updated checklists</li> <li>▪ Updated employee and creditor contact details</li> <li>▪ Collection of RATA's</li> </ul>
	Insurance	<ul style="list-style-type: none"> <li>▪ Obtained insurance policies and conducted review of those policies</li> <li>▪ Corresponded with Willis regarding initial and ongoing insurance requirements</li> <li>▪ Corresponded with previous brokers</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Prepared correspondence to open and close accounts</li> <li>▪ Prepared bank reconciliations at month end</li> <li>▪ Corresponded with bank regarding specific transfers</li> <li>▪ Corresponded with bank regarding online banking</li> </ul>
	ASIC Forms	<ul style="list-style-type: none"> <li>▪ Prepared and lodged ASIC forms in relation to the Administrators' appointment</li> <li>▪ Corresponded with ASIC regarding statutory forms</li> <li>▪ Liaised with ASIC regarding various notices requiring production of records</li> <li>▪ Corresponded with ASIC regarding their ongoing investigation into and monitoring of RGL</li> </ul>

Task Area	General Description	Includes
<b>Administration (Cont'd)</b>	ATO & other statutory reporting	<ul style="list-style-type: none"> <li>▪ Notified the ATO of Administrators' appointment</li> <li>▪ Notified State Revenue Office of Administrators' appointment</li> </ul>
	Planning / Review	<ul style="list-style-type: none"> <li>▪ Internal meetings to discuss and delegate key tasks</li> <li>▪ Discussed action plan</li> <li>▪ Met with management to discuss appointment</li> <li>▪ Conducted discussions and held internal meetings regarding status/strategy of administration, the progress of the administration and required tasks</li> <li>▪ Considered application to Court for extension to the convening period</li> <li>▪ Discussions with the Receivers and Managers regarding convening period extension</li> <li>▪ Dealing with various media queries</li> <li>▪ Reviewed progress of pre-appointment litigation</li> </ul>
<b>Employees</b>  <b>2.90 hours</b> <b>\$555.00</b>	Employee enquiries	<ul style="list-style-type: none"> <li>▪ Internal discussions regarding ongoing staffing requirements</li> <li>▪ Received and followed up employee enquiries via telephone, mail and email.</li> </ul>
<b>Trade On</b>  <b>27.00 hours</b> <b>\$7,335.00</b>	Trade On Management	<ul style="list-style-type: none"> <li>▪ Reviewed and discussed ongoing funding requirements</li> <li>▪ Discussions and planning regarding site operations</li> <li>▪ Liaised with management and staff regarding future operations</li> <li>▪ Attended site and head office</li> <li>▪ Attended to issues arising from day to day operations</li> <li>▪ Considered and resolved site issues</li> <li>▪ Setup purchase order system and communicated this with employees</li> <li>▪ Maintained purchase order schedule</li> <li>▪ Attended to critical suppliers in ensuring continued supply</li> </ul>
	Budgeting & financial reporting	<ul style="list-style-type: none"> <li>▪ Reviewed budgets and financial statements prepared by management</li> <li>▪ Prepared company position summary</li> <li>▪ Prepared and reviewed cash flow forecasts</li> <li>▪ Prepared statement of position</li> <li>▪ Conducted meetings to discuss trading position</li> </ul>
<b>Investigation</b>  <b>41.80 hours</b> <b>\$11,576.50</b>	Conducting investigation	<ul style="list-style-type: none"> <li>▪ Prepared investigation strategy</li> <li>▪ Reviewed and prepared group nature and history</li> <li>▪ Conducted and summarised statutory searches</li> <li>▪ Obtained, reviewed and prepared summary of charge documents</li> <li>▪ Obtained and reviewed financial statements</li> <li>▪ Prepared working capital position</li> <li>▪ Collated necessary information and documents required for investigation, including gaining access to records and employees under the R&amp;M control and holding discussions with key management staff</li> </ul>

**A2 (cont.) Tasks undertaken by the Administrators and remuneration (exclusive of GST) claimed for the period 16 May 2010 to 31 July 2010.**

Employee	Position	Rate \$	Total		Assets		Creditors		Administration		Employees		Trade On		Investigations	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Jones, M	Partner	540.00	1.60	864.00	-	-	1.00	540.00	0.60	324.00	-	-	-	-	-	-
Saker, A	Partner	540.00	3.00	1,620.00	-	-	0.10	54.00	0.90	486.00	-	-	2.00	1,080.00	-	-
Weaver, D	Partner	540.00	1.60	864.00	0.90	486.00	0.50	270.00	0.10	54.00	-	-	0.10	54.00	-	-
Field, M	Senior Manager	390.00	26.40	10,296.00	8.40	3,276.00	0.50	195.00	3.20	1,248.00	-	-	0.50	195.00	13.80	5,382.00
Powell, S	Senior Manager	390.00	1.00	390.00	-	-	-	-	0.60	234.00	-	-	-	-	0.40	156.00
Smith, A	Senior Manager	390.00	27.70	10,803.00	1.50	585.00	8.80	3,432.00	14.30	5,577.00	-	-	2.80	1,092.00	0.30	117.00
Johnson, B	Manager	325.00	0.70	227.50	-	-	-	-	0.70	227.50	-	-	-	-	-	-
Birch, T	Supervisor	285.00	7.00	1,995.00	3.80	1,083.00	-	-	2.60	741.00	-	-	0.60	171.00	-	-
Chu, K	Supervisor	285.00	12.40	3,534.00	0.60	171.00	4.70	1,339.50	2.10	598.50	0.20	57.00	3.30	940.50	1.50	427.50
Coleman, S	Senior 1	255.00	17.70	4,513.50	-	-	-	-	10.40	2,652.00	-	-	-	-	7.30	1,861.50
Gauci, S	Senior 2	230.00	1.40	322.00	-	-	0.30	69.00	1.10	253.00	-	-	-	-	-	-
Gunnis, J	Senior 2	230.00	38.50	8,855.00	6.20	1,426.00	16.20	3,726.00	14.00	3,220.00	-	-	2.10	483.00	-	-
Holmes, S	Senior 2	230.00	12.60	2,898.00	2.30	529.00	8.30	1,909.00	1.00	230.00	-	-	0.80	184.00	0.20	46.00
Iswariah, V	Senior 2	230.00	7.20	1,656.00	-	-	-	-	7.20	1,656.00	-	-	-	-	-	-
Keir, D	Senior 2	230.00	30.40	6,992.00	0.60	138.00	17.20	3,956.00	12.50	2,875.00	-	-	0.10	23.00	-	-
McCann, L	Senior 2	230.00	26.00	5,980.00	0.30	69.00	15.90	3,657.00	4.10	943.00	0.50	115.00	-	-	5.20	1,196.00
Musulin, D	Senior 2	230.00	0.20	46.00	-	-	0.20	46.00	-	-	-	-	-	-	-	-
Webb, G	Senior 2	230.00	186.30	42,849.00	68.80	15,824.00	29.90	6,877.00	74.10	17,043.00	0.30	69.00	10.00	2,300.00	3.20	736.00
Di Menna, A	Intermediate 1	185.00	20.20	3,737.00	-	-	7.80	1,443.00	9.40	1,739.00	-	-	2.60	481.00	0.40	74.00
Luck, G	Intermediate 1	185.00	1.90	351.50	-	-	0.40	74.00	1.50	277.50	-	-	-	-	-	-
Puddy, A	Intermediate 1	185.00	22.80	4,218.00	0.30	55.50	17.80	3,293.00	4.50	832.50	-	-	0.20	37.00	-	-
Roberts, C	Intermediate 1	185.00	11.10	2,053.50	4.00	740.00	3.50	647.50	0.30	55.50	0.40	74.00	-	-	2.90	536.50
Wilson, S	Intermediate 1	185.00	0.20	37.00	-	-	-	-	0.20	37.00	-	-	-	-	-	-
Godfrey, A	Intermediate 2	160.00	7.50	1,200.00	-	-	0.10	16.00	1.70	272.00	1.50	240.00	-	-	4.20	672.00
George, K	Intermediate 2	155.00	2.90	449.50	1.40	217.00	0.50	77.50	1.00	155.00	-	-	-	-	-	-
Linfoot, C	Intermediate 2	155.00	10.00	1,550.00	-	-	2.40	372.00	5.20	806.00	-	-	-	-	2.40	372.00
Vetten, P	Intermediate 2	155.00	18.90	2,929.50	1.40	217.00	3.40	527.00	12.20	1,891.00	-	-	1.90	294.50	-	-
Kroon, M	Secretary	150.00	10.10	1,515.00	-	-	-	-	10.10	1,515.00	-	-	-	-	-	-
Westwood, J	Secretary	150.00	6.90	1,035.00	-	-	-	-	6.90	1,035.00	-	-	-	-	-	-
Gray, E	Clerk	130.00	3.00	390.00	-	-	-	-	3.00	390.00	-	-	-	-	-	-
Martin, K	Clerk	130.00	0.10	13.00	-	-	-	-	0.10	13.00	-	-	-	-	-	-
Radisich, D	Clerk	130.00	4.40	572.00	-	-	-	-	4.40	572.00	-	-	-	-	-	-
Ross, M	Clerk	130.00	1.20	156.00	-	-	-	-	1.20	156.00	-	-	-	-	-	-
<b>Total</b>			<b>522.90</b>	<b>124,912.00</b>	<b>100.50</b>	<b>24,816.50</b>	<b>139.50</b>	<b>32,520.50</b>	<b>211.20</b>	<b>48,108.50</b>	<b>2.90</b>	<b>555.00</b>	<b>27.00</b>	<b>7,335.00</b>	<b>41.80</b>	<b>11,576.50</b>

**A3 Schedule of Administrators' anticipated tasks and estimated remuneration for the period 1 August to 15 August 2010**

Based on the following anticipated tasks, we estimate the Administrators' fees for the above period to be \$30,000 (exclusive of GST).

Task Area	General Description	Includes
<b>Assets</b>  <b>22.50 hours</b> <b>\$5,239.00</b>	Sale of business as a going concern	<ul style="list-style-type: none"> <li>▪ Corresponding with interested parties</li> <li>▪ Maintaining interested parties schedule</li> <li>▪ Conducting internal meetings to discuss potential restructuring options</li> <li>▪ Discussions with Receivers and Managers and secured creditors regarding restructuring options</li> <li>▪ Investigating DOCA and restructuring options</li> <li>▪ Reviewing DOCA proposals received (if any)</li> </ul>
	Leasing	<ul style="list-style-type: none"> <li>▪ Corresponding with lessors regarding ongoing lease arrangements</li> <li>▪ Reviewing lease default notices and corresponding with the Receivers and Managers regarding outstanding payments</li> <li>▪ Reviewing property listings and leasing schedules</li> <li>▪ Preparing correspondence to lessors regarding various lease issues</li> <li>▪ Preparing and issuing notices of intention not to exercise property rights to lessors</li> <li>▪ Liaising with owners/lessors</li> <li>▪ Reviewing lease documents</li> </ul>
<b>Creditors</b>  <b>31.60 hours</b> <b>\$8,046.00</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Receiving and following up creditor and investor enquiries via telephone and email</li> <li>▪ Reviewing and preparing correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Corresponding with creditors regarding status of the administration</li> <li>▪ Assisting creditors with their preparation for the second creditors meeting</li> </ul>
	Secured creditor reporting	<ul style="list-style-type: none"> <li>▪ Preparing reports to secured creditors</li> <li>▪ Discussing possible restructuring options</li> </ul>
	Creditors reports	<ul style="list-style-type: none"> <li>▪ Completion of Administrators' s439A report</li> <li>▪ Completion of Administrators' remuneration report</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>▪ Receipting and filing POD's</li> </ul>
	Meeting of Creditors	<ul style="list-style-type: none"> <li>▪ Preparing meeting notices, proxies and advertisements</li> <li>▪ Forward notice of meeting to all known creditors</li> <li>▪ Preparing meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting.</li> <li>▪ Receiving and following up on investor and creditor queries in relation to the creditors meeting</li> <li>▪ Setting up a web casting facility for the creditors meeting and corresponded with various parties in relation to the setup of this facility</li> <li>▪ Conducting internal meetings to prepare for the creditors meeting</li> <li>▪ Preparing and maintaining register of proxies</li> <li>▪ Reviewing, adjudicating validity of proxy forms and contacting creditors with invalid proxies</li> <li>▪ Preparing presentation for the creditors meeting</li> <li>▪ Responding to stakeholder queries and questions immediately following the meeting</li> </ul>

<b>Task Area</b>	<b>General Description</b>	<b>Includes</b>
<b>Administration</b>  <b>18.57 hours</b> <b>\$4,221.20</b>	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ Filing of documents</li> <li>▪ File reviews</li> <li>▪ Updating checklists</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Bank account reconciliations</li> <li>▪ Corresponding with bank regarding specific transfers</li> <li>▪ Maintaining accounts</li> </ul>
	ASIC forms	<ul style="list-style-type: none"> <li>▪ Corresponding with ASIC regarding statutory forms</li> </ul>
	ATO & other statutory reporting	<ul style="list-style-type: none"> <li>▪ Preparing BAS</li> </ul>
	Planning / Review	<ul style="list-style-type: none"> <li>▪ Discussing status of administration</li> <li>▪ Discussing proposed DOCA's</li> <li>▪ Liaising with R&amp;M on various issues</li> </ul>
<b>Employees</b>  <b>0.60 hours</b> <b>\$126.00</b>	Employee enquiries	<ul style="list-style-type: none"> <li>▪ Receiving and following up employee enquiries via telephone</li> </ul>
<b>Trade On</b>  <b>3.00 hours</b> <b>\$673.00</b>	Trade On Management	<ul style="list-style-type: none"> <li>▪ Liaising with suppliers</li> <li>▪ Liaising with management and staff</li> <li>▪ Authorising purchase orders</li> <li>▪ Maintaining purchase order registry</li> <li>▪ Preparing and authorising receipt vouchers</li> <li>▪ Preparing and authorising payment vouchers</li> </ul>
	Processing receipts and payments	<ul style="list-style-type: none"> <li>▪ Entering receipts and payments into accounting system</li> </ul>
<b>Investigation</b>  <b>47.03 hours</b> <b>\$11,694.80</b>	Conducting investigation	<ul style="list-style-type: none"> <li>▪ Investigating matters specifically identified by creditors and investors.</li> <li>▪ Completing preliminary investigations</li> </ul>

**A3 (cont.) Schedule of Administrators' anticipated tasks and estimated remuneration (exclusive of GST) for the period 1 August to 15 August 2010.**

Position	Rate	Total		Assets		Creditors		Administration		Employees		Trade On		Investigations	
	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Partner	540.00	3.50	1,890.00	0.50	270.00	1.50	810.00	0.40	216.00	-	-	0.20	108.00	0.90	486.00
Senior Manager	400.00	7.73	3,091.80	1.00	400.00	2.00	800.00	0.80	320.00	0.10	40.00	0.30	120.00	3.53	1,411.80
Manager	335.00	6.20	2,077.00	0.60	201.00	2.60	871.00	1.00	335.00	-	-	-	-	2.00	670.00
Supervisor	295.00	10.10	2,979.50	2.00	590.00	3.30	973.50	1.20	354.00	-	-	-	-	3.60	1,062.00
Senior 1	265.00	18.00	4,770.00	3.30	874.50	4.50	1,192.50	2.20	583.00	-	-	-	-	8.00	2,120.00
Senior 2	235.00	28.20	6,627.00	4.50	1,057.50	5.20	1,222.00	3.50	822.50	-	-	-	-	15.00	3,525.00
Intermediate 1	190.00	22.10	4,199.00	5.00	950.00	5.90	1,121.00	3.50	665.00	0.20	38.00	1.50	285.00	6.00	1,140.00
Intermediate 2	160.00	25.47	4,075.70	5.60	896.00	6.60	1,056.00	3.97	635.70	0.30	48.00	1.00	160.00	8.00	1,280.00
Secretary	155.00	1.00	155.00	-	-	-	-	1.00	155.00	-	-	-	-	-	-
Clerk	135.00	1.00	135.00	-	-	-	-	1.00	135.00	-	-	-	-	-	-
		<b>123.30</b>	<b>30,000.00</b>	<b>22.50</b>	<b>5,239.00</b>	<b>31.60</b>	<b>8,046.00</b>	<b>18.57</b>	<b>4,221.20</b>	<b>0.60</b>	<b>126.00</b>	<b>3.00</b>	<b>673.00</b>	<b>47.03</b>	<b>11,694.80</b>

**A4 Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and estimated remuneration from 16 August 2010 to the conclusion of the liquidation**

Based on the following anticipated tasks, we estimate the Liquidators' fees for the above period to be \$200,000 (excl GST).

Task Area	General Description	Includes
<b>Assets</b>  <b>161.00 hours</b> <b>\$37,493.50</b>	Assets subject to specific charges	<ul style="list-style-type: none"> <li>▪ All tasks associated with realising a charged asset</li> </ul>
	Debtors	<ul style="list-style-type: none"> <li>▪ Correspondence with debtors</li> <li>▪ Reviewing and assessing debtors ledgers</li> <li>▪ Liaising with debt collectors and solicitors</li> </ul>
	Other assets	<ul style="list-style-type: none"> <li>▪ Tasks associated with realising other assets</li> </ul>
	Leasing	<ul style="list-style-type: none"> <li>▪ Corresponding with lessors regarding ongoing lease arrangements</li> <li>▪ Reviewing lease default notices and corresponding with the Receivers and Managers regarding outstanding payments</li> <li>▪ Reviewing property listings and leasing schedules</li> <li>▪ Preparing correspondence to lessors regarding various lease issues</li> <li>▪ Preparing and issuing notices of intention not to exercise property rights to lessors</li> <li>▪ Liaising with owners/lessors</li> <li>▪ Reviewing lease documents</li> </ul>
<b>Creditors</b>  <b>157.80 hours</b> <b>\$40,138.50</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Receiving and following up creditor and investor enquiries via telephone and email</li> <li>▪ Reviewing and preparing correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Corresponding with creditors regarding status of the administration</li> <li>▪ Assisting creditors with their preparation for the second creditors meeting</li> </ul>
	Secured creditor reporting	<ul style="list-style-type: none"> <li>▪ Preparing reports to secured creditors</li> <li>▪ Discussing possible restructuring options</li> </ul>
	Creditors reports	<ul style="list-style-type: none"> <li>▪ General reporting to creditors</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>▪ Receipting and filing POD's</li> </ul>
	Meeting of Creditors	<ul style="list-style-type: none"> <li>▪ Preparing meeting notices, proxies and advertisements</li> <li>▪ Forward notice of meeting to all known creditors</li> <li>▪ Preparing meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting.</li> <li>▪ Receiving and following up on investor and creditor queries in relation to the creditors meeting</li> <li>▪ Setting up a web casting facility for the creditors meeting and corresponded with various parties in relation to the setup of this facility</li> <li>▪ Conducting internal meetings to prepare for the creditors meeting</li> <li>▪ Preparing and maintaining register of proxies</li> <li>▪ Reviewing, adjudicating validity of proxy forms and contacting creditors with invalid proxies</li> <li>▪ Preparing presentation for the creditors meeting</li> <li>▪ Attending and chairing creditors meeting</li> <li>▪ Responding to stakeholder queries and questions immediately following the meeting</li> </ul>

Task Area	General Description	Includes
<b>Administration</b>  <b>183.89 hours</b> <b>45,308.64</b>	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ Filing of documents</li> <li>▪ File reviews</li> <li>▪ Updating checklists</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Bank account reconciliations</li> <li>▪ Corresponding with bank regarding specific transfers</li> <li>▪ Maintaining accounts</li> </ul>
	ASIC forms	<ul style="list-style-type: none"> <li>▪ Corresponding with ASIC regarding statutory forms</li> </ul>
	ATO & other statutory reporting	<ul style="list-style-type: none"> <li>▪ Preparing BAS</li> </ul>
	Planning / Review	<ul style="list-style-type: none"> <li>▪ Discussing status of administration</li> <li>▪ Liaising with R&amp;M on various issues</li> </ul>
<b>Employees</b>  <b>3.60 hours</b> <b>\$765.00</b>	Employee enquiries	<ul style="list-style-type: none"> <li>▪ Receiving and following up employee enquiries via telephone</li> </ul>
<b>Trade On</b>  <b>10.30 hours</b> <b>\$2,304.00</b>	Trade On Management	<ul style="list-style-type: none"> <li>▪ Liaising with suppliers</li> <li>▪ Liaising with management and staff</li> <li>▪ Authorising purchase orders</li> <li>▪ Maintaining purchase order registry</li> <li>▪ Preparing and authorising receipt vouchers</li> <li>▪ Preparing and authorising payment vouchers</li> </ul>
	Processing receipts and payments	<ul style="list-style-type: none"> <li>▪ Entering receipts and payments into accounting system</li> </ul>
<b>Investigation</b>  <b>197.62 hours</b> <b>\$49,028.90</b>	Conducting investigation	<ul style="list-style-type: none"> <li>▪ Investigating matters specifically identified by creditors and investors.</li> <li>▪ Reconstruction of financial statements</li> <li>▪ Reviewing company's books and records and Report as to Affairs</li> <li>▪ Preparation of comparative financial statements</li> <li>▪ Preparation of deficiency statement</li> <li>▪ Review of specific transactions and liaising with directors regarding certain transactions</li> <li>▪ Preparation of investigation file</li> <li>▪ Lodgement of report with the ASIC pursuant to section 533 of the Act</li> <li>▪ Preparation and lodgement of supplementary report if required</li> </ul>
	Examinations	<ul style="list-style-type: none"> <li>▪ Preparing brief to solicitor</li> <li>▪ Liaising with solicitor regarding examinations</li> <li>▪ Attendance at examinations</li> <li>▪ Reviewing examination transcripts</li> <li>▪ Liaising with solicitor regarding outcome of examinations and further actions available</li> </ul>
	ASIC Reporting	<ul style="list-style-type: none"> <li>▪ Preparing statutory investigation reports</li> <li>▪ Liaising with ASIC</li> </ul>
<b>Dividend</b>  <b>100.41 hours</b> <b>\$14,251.10</b>	Processing Proofs of Debt	<ul style="list-style-type: none"> <li>▪ Preparation of correspondence to potential creditors inviting lodgement of POD</li> <li>▪ Receipts POD's</li> <li>▪ Maintain POD Register</li> <li>▪ Adjudicating POD's</li> <li>▪ Request further information from claimants regarding POD's</li> <li>▪ Preparation of correspondence to claimant advising outcome of adjudication</li> </ul>
	Dividend Procedures (if any)	<ul style="list-style-type: none"> <li>▪ Preparation of correspondence to creditors advising of intention to declare dividend</li> <li>▪ Advertisement of intention to declare dividend</li> <li>▪ Obtain clearance from ATO to allow distribution of company's assets</li> <li>▪ Preparation of dividend calculation</li> <li>▪ Preparation of correspondence to creditors announcing declaration of dividend</li> </ul>

Task Area	General Description	Includes
<b>Dividend (cont)</b>		<ul style="list-style-type: none"> <li>▪ Advertise announcement of dividend</li> <li>▪ Preparation of distribution</li> <li>▪ Preparation of dividend file</li> <li>▪ Preparation of payment vouchers to pay dividend</li> <li>▪ Preparation of correspondence to creditors enclosing payment of dividend</li> </ul>

**A4 Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and estimated remuneration (exclusive of GST) from 16 August 2010 to the conclusion of the liquidation (continued)**

Position	Rate	Total		Assets		Creditors		Administration		Employees		Trade On		Investigations		Dividend	
	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Partner	540.00	21.20	11,448.00	3.50	1,890.00	7.50	4,050.00	3.80	2,052.00	-	-	0.70	378.00	3.80	2,052.00	1.90	40.28
Senior Manager	400.00	52.80	21,120.00	7.30	2,920.00	9.90	3,960.00	12.00	4,800.00	0.60	240.00	1.00	400.00	14.50	5,800.00	7.50	396.00
Manager	335.00	40.00	13,400.00	4.30	1,440.50	12.90	4,321.50	10.00	3,350.00	-	-	-	-	8.30	2,780.50	4.50	180.00
Supervisor	295.00	68.00	20,060.00	14.20	4,189.00	16.50	4,867.50	15.00	4,425.00	-	-	-	-	14.80	4,366.00	7.50	510.00
Senior 1	265.00	126.90	33,628.50	23.70	6,280.50	22.50	5,962.50	30.00	7,950.00	-	-	-	-	33.80	8,957.00	16.90	2,144.61
Senior 2	235.00	207.60	48,786.00	32.30	7,590.50	25.80	6,063.00	55.00	12,925.00	-	-	-	-	62.50	14,687.50	32.00	6,643.20
Intermediate 1	190.00	134.62	25,577.50	35.70	6,783.00	29.40	5,586.00	23.09	4,386.64	1.50	285.00	5.00	950.00	26.62	5,057.90	13.31	1,791.81
Intermediate 2	160.00	151.50	24,240.00	40.00	6,400.00	33.30	5,328.00	23.00	3,680.00	1.50	240.00	3.60	576.00	33.30	5,328.00	16.80	2,545.20
Secretary	155.00	6.00	930.00	-	-	-	-	6.00	930.00	-	-	-	-	-	-	-	-
Clerk	135.00	6.00	810.00	-	-	-	-	6.00	810.00	-	-	-	-	-	-	-	-
		<b>814.62</b>	<b>200,000.00</b>	<b>161.00</b>	<b>37,493.50</b>	<b>157.80</b>	<b>40,138.50</b>	<b>183.89</b>	<b>45,308.64</b>	<b>3.60</b>	<b>765.00</b>	<b>10.30</b>	<b>2,304.00</b>	<b>197.62</b>	<b>49,028.90</b>	<b>100.41</b>	<b>14,251.10</b>

## **A5 Resolutions regarding remuneration to be put to creditors at the creditors meeting convened for 16 August 2010**

At the second meeting of creditors convened for 16 August 2010, creditors will be asked to consider the following resolutions:

*"The Administrators remuneration, as set out in the Administrators' remuneration report dated 9 August 2010 for the period 16 May 2010 to 31 July 2010 be fixed in the sum of \$124,912 (exclusive of GST)."*

*"The Administrators' further remuneration for the period 1 August 2010 to 15 August 2010 be fixed in accordance with the hourly rates of Ferrier Hodgson up to the sum of \$30,000 (exclusive of GST)."*

If the company is placed into Liquidation:

*"The Liquidators' remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$200,000 (exclusive of GST) and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration."*

## **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.
- D2 Disbursements are externally provided non-professional costs such as travel, accommodation and search fees. D2 disbursements are recovered at cost.
- D3 Disbursements are internally provided non-professional costs such as photocopying and document storage. This type of disbursement is charged at cost except for photocopying and printing which are charged at a rate which is intended to recoup both variable and fixed costs.

The relevant rates at which disbursements are charged are set out below:

<b>Disbursements</b>	<b>Charges (Excluding GST)</b>
Postage	At cost
Telephone	At cost
Document Production & Photocopying	35 cents per page
Facsimile	\$1 per page
Company Search	At cost
Advertising	At cost
Storage	At cost
Couriers	At cost

Disbursements incurred by the Administrators for the period 16 May 2010 to 31 July 2010 are set out below. No disbursements have yet been drawn.

<b>Cost Code</b>	<b>(\$)</b>
Advertising	2,935.20
Consultancy Fees	33.59
Courier	54.45
Fax	1,498.50
Meals	226.18
Meeting Expense	3,822.51
Photocopying	779.10
Postage	938.73
Printing	14,106.75
Search	2,368.50
Taxis and Parking	1,229.37
Telephone	601.94
Travelling	5,823.41
<b>TOTAL</b>	<b>\$34,418.20</b>

Creditor approval for the payment of disbursements is not required, however, the Administrators must account to creditors. Creditors have the right to question the incurring of disbursements and can challenge disbursements in court.

We note that no disbursements have been drawn to date.

## **B2 Summary of Receipts and Payments for the period 16 May 2010 to 31 July 2010**

A summary of the Administrators' receipts and payments for the period 16 May 2010 to 31 July 2010 are set out below:

<b>Receipts and Payments Summary 16 May 2010 to 31 July 2010</b>	<b>Amount (\$)</b>
<b><u>RECEIPTS</u></b>	
Transfer from Pre Appointment Account	145.76
Interest	0.16
<b>Total Receipts</b>	<b>145.92</b>
<b><u>PAYMENTS</u></b>	
Bank Charges	133.15
<b>Total Payments</b>	<b>133.15</b>
<b>Cash at Bank as at 31 July 2010</b>	<b>\$12.77</b>

## **B3 Other creditor information on remuneration**

The partners of Ferrier Hodgson are members of the Insolvency Practitioners Association of Australia 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.

## **B4 Initial Advice to Creditors**

### **Remuneration Methods**

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

- 1. Time based / hourly rates**  
This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.
- 2. Fixed Fee**  
The total fee charged is normally quoted at the commencement of the administration and is the total cost for the administration. Sometimes a Practitioner will finalise an administration for a fixed fee.
- 3. Percentage**  
The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of assets realisations.
- 4. Contingency**  
The practitioner's fee is structured to be contingent on a particular outcome being achieved.

### **Method chosen**

Given the nature of this administration we propose that our remuneration be calculated on time based / hourly rates.

This method was selected as it is the most practical method, and provides the most transparency to creditors given the nature of this administration.

Dated this 9<sup>th</sup> day of August 2010



MARTIN JONES  
Joint and Several Administrator of  
Rewards Group Limited

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# **Annexure 2**

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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 3**

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**Declaration of Independence, Relevant Relationship and Indemnities**

**Rewards Group Limited**  
**And the other entities set out in the Relevant Relationships section below**

**DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS AND INDEMNITIES**

**Independence**

We, Martin Jones, Andrew Saker and Darren Weaver have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Joint and Several Administrators of the Group. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

**Relevant Relationships**

Aside from the notes below, neither Martin Jones, Andrew Saker, Darren Weaver nor our firm, have, or have had within the preceding 24 months, any relationships with the Group, any associate of the Group, a former insolvency practitioner appointed to the Group or any other person or entity that has a charge on the whole or substantially whole of the Group's property.

Briefly stated, the entities' roles are as follows:

Entity	Short	Brief Description of role
Rewards Group Limited ACN 087 702 547	RGL	Unlisted head of the Group.
Rewards Projects Limited ACN 089 582 427	RPL	Responsible Entity for the Schemes.
Rewards Management Pty Ltd ACN 089 940 376	RMPL	Manages the daily operation of the Schemes for RPL.
Rewards Land Pty Ltd ACN 089 948 824	RLPL	Owens the land used by many RPL schemes.
Ord Packers Pty Ltd ACN 106 363 964	OPPL	Heads a subgroup – fruit packing operations and equipment.
Berry Packers Pty Ltd ACN 125 068 911	BPPL	Packing operations and equipment.
Rural Labour Pty Ltd ACN 130 732 786	Rural Labour	Casual operations labour force that is contracted to RPL, RMPL, OPPL and BPPL.
Green Tree Capital Pty Ltd ACN 093 209 173	GCPL	Collecting the final payments in relation to the 2009 Premium Timber Project.

There are numerous inter-relationships between the Group members. These are summarised as follows:

Entity	Entity	Relationship	Comments/How Managed
RGL	All	As the head of the corporate group, any surplus funds from entities lower in the Group will work their way up to RGL. Likewise, insolvent trading claims may arise against RGL as a holding company.	If and when the investment in subsidiaries realise value or claims are capable of being proved up, we would report to stakeholders and consider an independent review as and when appropriate.
RGL	RMPL	There is a Deed of Cross Guarantee between RGL and RM.	If and when the investment in subsidiaries realise value, we would report to stakeholders upon this, with transparent accounting for same.
RGL	RMPL	At 31 March 2010, an inter-company loan existed under which RGL owed RMPL approximately \$12.8M.	Report to creditors upon recoverability and consider independent review if/as appropriate.
RPL	RMPL	At 31 March 2010, an inter-company loan existed under which RPL owed RMPL approximately \$136k.	Report to creditors upon recoverability and consider independent review if/as appropriate.
RPL	RMPL	RMPL is owed \$12.4M in annual management fees and rent reimbursements.	The mechanism by which these payments may occur is regulated by the scheme documentation. There is no discretion for the Administrators to exercise.

Entity	Entity	Relationship	Comments/How Managed
RPL	RMPL	RM collection of grower loans and management fees for the Group and/or Investec/CBA in respect to securitised debtors vs the obligation in RPL to adjudicate upon grower claims/allegations which may impact upon the collectability of the said loans/fees.	Our investigations are still at a preliminary stage. Accordingly, it is unclear as to whether an actual conflict will exist in the future. We propose to summarise our findings in due course and to open them to independent review if/as appropriate.
RPL	RLPL	RPL leases land from RLPL on a deferred rent basis. RPL may be unfunded to meet the costs of maintaining the crops, in which case, there is a risk that RLPL will be interested to terminate the leases. The Administrators are not obliged to incur debt to maintain crops.	We have funding to cover at least some, but potentially not all schemes, which is supported by Court Orders in relation to the Administrators' authority and to enter and the terms of such a loan, potentially in advance of secured lender and grower rights. Absent such funding, certain leases were disclaimed and there is a real risk that further leases will be disclaimed. A high degree of independence exists between the R&M on behalf of RLPL and the Administrators.
RMPL	RLPL	At 31 March 2010, an inter-company loan existed under which RLPL owed RMPL approximately \$25.5M.	Report to creditors upon recoverability and consider independent review if/as appropriate.
RMPL	OPPL	At 10 May 2010, OP was owed \$1.3M by RMPL, but OPPL owed circa \$2M to RMPL.	Report to creditors upon recoverability and consider independent review if/as appropriate, including as to any set-off that may be appropriate.
RMPL	BPPL	At 10 May 2010, BPPL was owed \$493k by RMPL, but BPPL owed \$672k to RMPL.	Report to creditors upon recoverability and consider independent review if/as appropriate, including as to any set-off that may be appropriate.
RMPL	Rural Labour	At 10 May 2010, Rural Labour was owed \$593k by RMPL, but Rural Labour owed \$4.5k to RMPL.	Report to creditors upon recoverability and consider independent review if/as appropriate, including as to any set-off that may be appropriate.
RMPL	GCPL	GCPL will be collecting final payments from 12 month interest free loans in May and June 2010 and remitting these sums to RMPL and RPL. Currently the total to be collected is \$1.4M.	The mechanism by which these transfers occur is regulated by the scheme documentation. There is no discretion for the Administrators to exercise.
BPPL	OPPL	At 10 May 2010, BPPL owed \$235k to OPPL. Further, an insolvent trading claim may exist against OPPL by BPPL.	Report to creditors upon recoverability and consider independent review if/as appropriate.
BPPL	Rural Labour	At 10 May 2010, BPPL owed \$181k to Rural Labour.	Report to creditors upon recoverability and consider independent review if/as appropriate.
OPPL	Rural Labour	Potential insolvent trading claim by Rural Labour against OPPL.	Report to creditors in due course as to the merits of the possible claim. Consider independent review at that time.

While there is risk in having common Administrators, who may benefit from assets being available in all administrations (such as the inter-company assets/claims may provide), which may in turn satisfy the remuneration of those Administrators, we believe that by keeping the various administrations together with one insolvency practice (rather than having a range of firms all coming up to speed with how the Group operates and attempting to "fit in together" on trading issues), and with a view to restructuring the affairs holistically, rather than on a piecemeal basis, we expect there will be significant cost savings and improved prospects of a higher return for all stakeholders, more than sufficient to overcome the potential costs of managing future potential conflicts between the Administrators' interests and the Administrators' duties.

#### Prior Engagements with the Insolvent

Aside from preliminary advice in relation to this appointment (to date unremunerated, that preliminary advice having commenced on 5 May 2010), neither Andrew Saker, Martin Jones or Darren Weaver, nor our Firm, have undertaken any prior engagements for the Group. No advice has been provided to the directors in relation to their individual/personal circumstances, only as to their obligations to the company and its creditors.

Indeed, were it not for this limited prior involvement, we would not have been able to provide the summaries of relationships above.

From time to time we provide professional advice, either formally or informally to the secured creditors of the Group, National Australia Bank (NAB) and the Commonwealth Bank of Australia (CBA), however we have had no involvement with NAB, CBA or Investec in direct relation to the Group. There are no other prior professional relationships or engagements that should be disclosed.

### **Indemnities**

Martin Jones, Andrew Saker and Darren Weaver have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute. That said, since the commencement of the administration, in collecting certain MIS loan debts, we have an agreement with Investec, pursuant to which a proportion of the costs of collection are recouped.

We are not aware of any other issues that require disclosure in relation to our independence and we confirm, that in the event that a real risk to our independence is identified in the future as a result of the above matters or otherwise, we will consult with the relevant Committee and thereafter refer appropriate matters to the Court and/or an independent insolvency practitioner for consideration. In the interim, we consider that proceeding as Administrators of the companies is appropriate and reflects the fact that the Administrators have an understanding of the matters critical to each company and will endeavour to overcome any potential impediments to our independence.

Dated this 9<sup>th</sup> day of August 2010.



MARTIN JONES  
Joint and Several Administrators of  
Rewards Group Limited  
and Subsidiaries as set out above  
in this DIRRI



ANDREW SAKER



DARREN WEAVER

***NOTE: If circumstances change, or new information is identified, we are required under the IPA Code of Professional Practice to update this Declaration and provide a copy to creditors with my next communication as well as table a copy of any replacement declaration at the next meeting of each of the company's creditors.***

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# **Annexure 4**

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**Letter of Intent from RGAG**

6 August 2010

Mr Martin Jones  
Joint and Several Administrator of  
Rewards Projects Limited and Various Related Entities  
c/- Ferrier Hodgson  
Level 26, BankWest Tower  
108 St George's Terrace  
PERTH WA 6000

By email: [Martin.Jones@fh.com.au](mailto:Martin.Jones@fh.com.au)

Dear Sir,

**Rewards Projects Limited  
(Administrators Appointed)  
ACN 089 582 427  
And Related Entities as Set Out in The Schedule (the Group)**

**Restructuring / Deed of Company Arrangement (DOCA) Proposal and Upcoming Second Meetings of Creditors of the Group**

We refer to the Facility Agreement executed between the Rewards Growers Advocacy Group Inc (RGAG), Rewards Projects Limited (RPL) and its Administrators which was approved by the Supreme Court of Western Australia on 30 June 2010.

As you are aware, the Facility Agreement has been extended for a further month to 31 August 2010 by mutual agreement between RGAG, RPL and its Administrators. Under the Facility Agreement, RGAG has been granted exclusivity to 31 August 2010 (or so long as funding remains in place) to liaise with the Administrators with a view to putting forward a restructuring / DOCA proposal for all or part of the Group and / or schemes managed by the Group (excluding brushwood, vineyard and berries schemes) for creditors' and growers' consideration, as applicable.

The RGAG is continuing to formulate a restructuring / DOCA proposal with a view to submitting the same by 31 August 2010 for the Administrators' consideration and ultimately creditors' deliberation. The RGAG is continuing discussions with a number of financiers and other parties and is well advanced in these discussions. At this stage, the RGAG has not confirmed a definitive view as to which entities of the Group may be incorporated in its proposed restructuring / DOCA proposal.

The RGAG understands that the Administrators have scheduled the second meetings of creditors of the Group for Monday, 16 August 2010 in accordance with Section 439A of the Corporations Act and orders granted by the Court to decide each company of the Group's future.

In view of the funding arrangements currently in place as discussed above and status of RGAG's formulation of a restructuring / DOCA proposal the RGAG is of the view that it would be in the interests of creditors of the Group to resolve to adjourn the upcoming meetings of creditors for all entities of the Group for a period of up to 45 business days pursuant to Section 439B(2) of the Corporations Act. In forming this view RGAG make the following comments:

- The adjournment would enable RGAG to finalise its restructuring / DOCA proposal for all or part of the Group and / or schemes managed by the Group (excluding vineyard, brushwood and berries schemes) for creditors' and growers' consideration.
- The restructuring / DOCA proposal put forward by RGAG may provide a superior return to creditors than if the Group was immediately wound up and may have benefits for other stakeholders than if the Group and schemes were immediately wound up.
- The RGAG is attempting to find a solution to the Group's current financial predicament and situation with a view to repaying secured creditors in full, unsecured creditors a better outcome than on a winding up, as well as preserving scheme assets for the benefit of growers.
- Whilst the adjournment period is in place, RGAG would continue to provide funding to the Administrators to keep the schemes on foot and conduct maintenance works on various scheme properties. We note that the RGAG has already contributed a significant amount of funding (approximately \$1.5 million) to the Administrators and maintenance works have and are continuing to be conducted on various scheme properties and are being funded by RGAG.

We request that the Administrators please consider the aforementioned issues when putting forward their recommendations to creditors as to the future of the Group at the upcoming second creditors' meetings.

We are available to discuss any of the issues above at your convenience.

Yours faithfully

Rewards Growers Advocacy Group Inc



Michael Bugelly

President

## THE SCHEDULE

Company Name	ACN
*Rewards Group Limited	087 702 547
*Rewards Land Pty Ltd	089 948 824
*Rewards Management Pty Ltd	089 940 376
*Ord Packers Pty Ltd	106 363 964
*Berry Packers Pty Ltd	125 068 911
Rural Labour Pty Ltd	130 732 786
Greentree Capital Pty Ltd	093 209 173

\* Receivers and Managers also appointed

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# **Annexure 5**

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## **Background Information Regarding the Group**

9 August 2010

**Rewards Group Limited  
 (Receivers And Managers Appointed) (Administrators Appointed)  
 And Subsidiaries as set out in the table below  
 (Receivers and Managers Appointed to Limited Companies)  
 (All Administrators Appointed)  
 (Collectively referred to as the Group)**

ADELAIDE  
 BRISBANE  
 MELBOURNE  
 SYDNEY  
 HONG KONG  
 JAKARTA  
 KUALA LUMPUR  
 MANILA  
 MUMBAI  
 SHANGHAI  
 SINGAPORE  
 TOKYO

**BACKGROUND INFORMATION REGARDING THE GROUP**

This document is intended to provide a brief overview of the Companies and their role in the Group and has been compiled under the following headings:

1. Administrators' Function
2. Diagram of the Group Structure
3. Role of each Company within the Group
4. Group Weaknesses
5. Group Strengths
6. Future of the Group

Affiliated through  
 Zolfo Cooper  
 and  
 Kroll Worldwide  
 UNITED STATES  
 UNITED KINGDOM

**1. Administrators' Function**

On 16 May 2010, Martin Jones, Andrew Saker and Darren Weaver were appointed as Joint and Several Administrators to each of the entities in the table below pursuant to section 436A of the Act. The table also records the appointments of Peter Anderson, James Thackray and William Harris of McGrathNicol as Receivers and Managers ("R&M") to certain of those entities:

Company Name	Abbreviation	ACN	R&M Appointment Date
Rewards Group Limited	RGL	087 702 547	19 May 2010
Rewards Projects Limited	RPL	089 582 427	N/A
Rewards Land Pty Ltd	RLPL	089 948 824	19 May 2010
Rewards Management Pty Ltd	RMPL	089 940 376	1 June 2010
Ord Packers Pty Ltd	OPPL	106 363 964	1 June 2010
Berry Packers Pty Ltd	BPPL	125 068 911	1 June 2010
Rural Labour Pty Ltd	Rural Labour	130 732 786	N/A
Greentree Capital Pty Ltd (Formerly "QPR Capital Finance Pty Ltd")	GCPL	093 209 173	N/A

Whereas immediately following our appointment, we took control of the Group assets and continued to carry on the Group business, control of the assets and the trading activities of the companies under receivership transferred to the R&M upon their appointment.

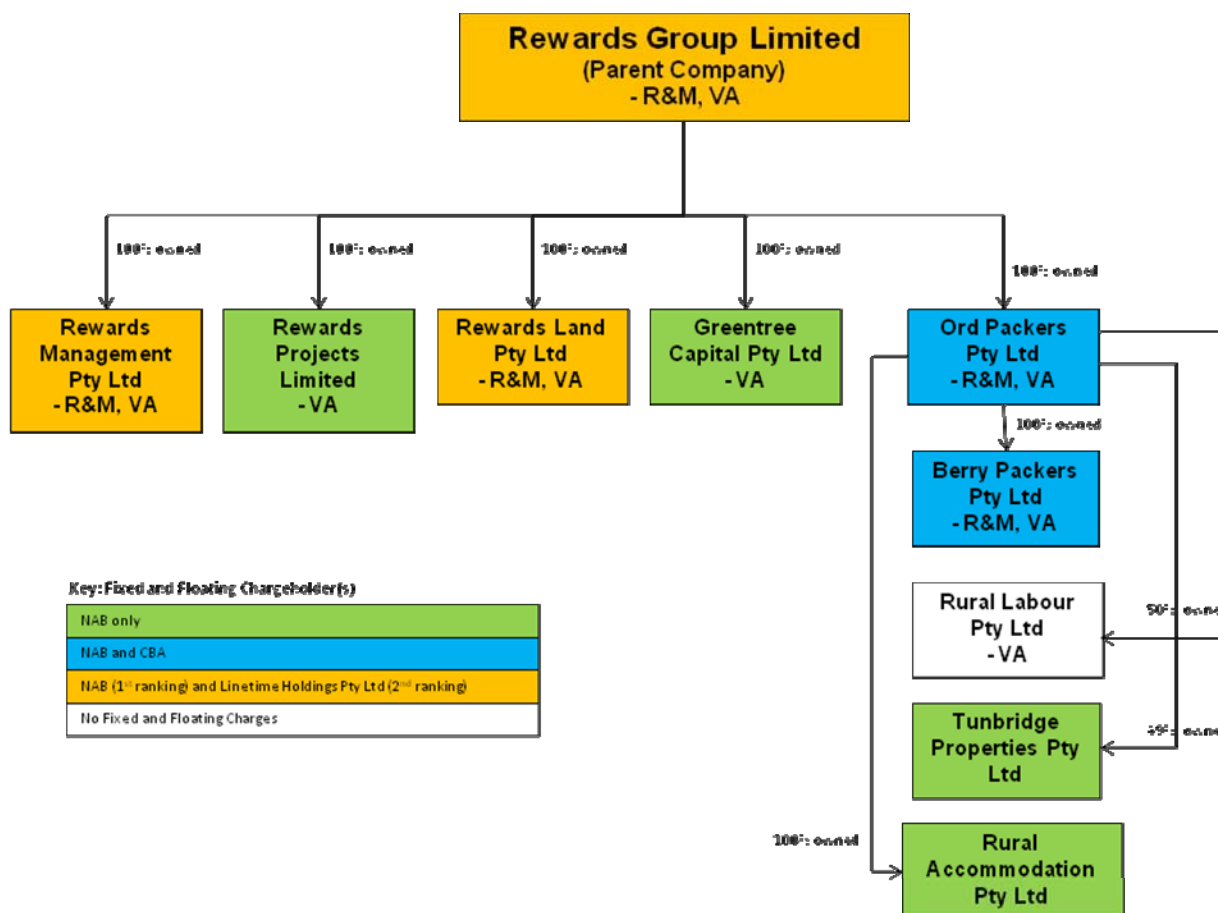
Our role as Joint and Several Administrators of the Group is to control the Group's businesses, properties and affairs to the extent that same are not within the R&M's control, with a view to facilitating the execution of a Deed of Company Arrangement (DOCA) to reorganise the Group's affairs in the event that such course of action is in the interests of creditors, and would therefore achieve either, but preferably both of the objectives of a voluntary administration ("VA") established by section 435A of the Act. That is, for the Companies' business, property and affairs to be administered in a way that, for each company:

- Maximises the chances of the company, or as much as possible of its business, continuing in existence; or
- If it is not possible for the company or its business to continue in existence – results in a better return for the company's creditors and members than would result from an immediate winding up of the company.

The creditors of the Group will be given the opportunity to decide the Group's future at the second meeting of creditors.

## 2. Diagram of the Group Structure

We provide below a diagram of the Group's corporate structure as at the date of our appointment:





### **3. Role of each Company within the Group**

#### **RGL**

RGL is the ultimate holding company of RPL, RMPL, RLPL and GCPL. It also owns 100% of the units in the Ord Packers Unit Trust of which OPPL is the trustee of that unit trust.

#### **RPL**

RPL is the responsible entity (“RE”) of a number of registered managed investment schemes (“MIS”) and in that role has responsibility for the operation and administration of the schemes. Each scheme is governed by its own constitution or trust deed, and if a registered scheme, is also governed by Chapter 5C of the Act. RPL continues to be the RE for its registered managed investment schemes until it is replaced in accordance with the Act.

In operating the schemes, RPL has leases in respect to land owned predominantly by RLPL and also The Ark Fund Limited (“Ark”). Maintaining or renegotiating these leases has been an obstacle to replacing RPL as RE during the course of the VA to date.

#### **RMPL**

RMPL is the manager of the MIS projects and responsible for establishing, managing, harvesting and selling the product from the projects.

Whilst growers contract RPL to establish, maintain, manage and ultimately harvest and sell the commodity grown by the investors/growers, RPL in turn appointed RMPL to perform the services, utilising a skilled management team and to undertake its duties in accordance with the Management Plan for each Project and a Service Agreement in place between RPL and RMPL. In certain circumstances, RMPL sub-contracted some of the services to third parties, such as fruit marketing to Global Rewards Pty Ltd, an entity having an independent managing director, though an entity in which certain of the Group’s directors took an interest soon after the contract was established.

#### **RLPL**

RLPL is the owner of land upon which horticultural and forestry MIS operations have been established in Western Australia and Queensland. It was incorporated as a land holding company and was established to lease its land assets to RPL.

#### **GCPL**

GCPL was established as a vehicle to provide investors finance in relation to management investment scheme products issued by RPL.

#### **OPPL**

OPPL operates a fruit packing business based in Kununurra, Western Australian and Mareeba, Queensland. It became a wholly owned subsidiary of RGL on 1 February



2010 as RGL acquired 100% of the units in Ord Packers Unit Trust “OPUT” (acting trustee fund).

### **BPPL**

BPPL is a wholly owned subsidiary of OPPL. It operates a fruit packing business based in Wamuran (near Caboolture), Queensland, and Yarra Valley, Victoria.

### **Rural Labour**

Rural Labour operated a labour hire business which complemented the Group’s operations. In particular, it contracted casual labour to the following related entities:

- a) BPPL in Victoria and Queensland;
- b) OPPL in Western Australia and Queensland; and
- c) RMPL and RPL in Western Australia and Queensland.

## **4. Group Weaknesses**

- a) The Companies are insolvent. Accordingly, the Companies’ assets will be viewed as being distressed by parties interested to invest in, acquire, or otherwise recapitalise the Group.
- b) The legal structure in which the assets are held is complex, having regard to the MIS schemes i.e. leased land, other Group entities owning the infrastructure thereon, Grower interest in the crops/trees grown on the land etc.
- c) Significant external secured debt. The R&M are collecting upwards of \$60M in debt due to the NAB by a combination of the Group and Ark. The R&M will set their own strategy to realise value for the NAB and that strategy may not be consistent with the interests of Growers.
- d) Significant inter-company transactions and accounting to work through to ascertain the likely recoveries that may ultimately be appropriate having regard to the legal/equitable rights of the Companies and therefore the creditors of each of the Companies.
- e) The end of RPL’s VA is expected to sever the leasehold interest of the schemes because the R&M has issued default and termination notices in respect of the head leases between RLPL, Ark and RPL. It is only the protection afforded by section 440C of the Act that has avoided such an outcome to date.
- f) The extent of pre-VA outstanding rent to Ark is so great that an agreement with the R&M to reach a settlement, by which RPL (or a replacement RE) is able to retain the farms, appears unlikely at this time absent a proposal to repay the NAB debt in full and in a short time.

## **5. Group Strengths**

- a) The agricultural investments owned by the Growers, the Group and Ark, represent a diverse set of quality assets, which may, in time, produce equity to enable a return to be paid to the creditors of many of the Companies.
- b) So long as there is a party that is prepared to fund the rents and the MIS farming and other operations, there is a prospect that a restructure may be achieved.



## **6. Future of the Group**

Creditors will decide the future of the individual Companies at the second meeting of creditors, convened for Monday, 16 August 2010.

Known creditors of each of the Companies receive a detailed report pursuant to section 439A of the Act in respect to the company against which their claim is understood to exist. In the case of Investors/Growers, the report is available for download from the Administrators' website. Likewise, the report for each of the other Companies is also available for download from the "current matters" section of the Ferrier Hodgson website ([www.ferrierhodgson.com](http://www.ferrierhodgson.com)).

Enquiries in relation to the Companies may be submitted via email to [rewardsgroup@fh.com.au](mailto:rewardsgroup@fh.com.au).