

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)**

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

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 Management Pty Ltd  
ACN 089 940 376  
(Receivers and Managers Appointed)  
(Administrators 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 (Receivers and Managers Appointed) (Administrators Appointed)
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
BPPL	Berry Packers Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed)
The Company / RMPL	Rewards Management Pty Ltd (Receivers and Managers 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 (Receivers and Managers Appointed) (Administrators Appointed)
OPUT	Ord Packers Unit Trust
R&M	Receivers and Managers
Rewards Group / the Group	RGL, RPL, RLPL, GCPL, OPPL, BPPL, Rural Labour and the Company
RGAG	Rewards Growers Advocacy Group
RGL	Rewards Group Limited (Receivers and Managers Appointed) (Administrators Appointed)
RLPL	Rewards Land Pty Ltd (Receivers and Managers 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>	The Group Overview and Background
<b>Annexure 5</b>	List of Trade Creditors
<b>Annexure 6</b>	RGAG Letter of Intention to Propose a DOCA

## 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 the Company at the first creditors meeting on 26 May 2010. The Committee of Creditors of RMPL have since met on two occasions from the date of the first meeting of creditors until the date of this report.

On the 1 June 2010, Peter Anderson, James Thackray and William Harris were appointed as R&M over the Company. 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 4**.

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 related party loans. Accordingly, for the reasons set out in this report, **we recommend that:**

- **ordinary unsecured creditors resolve to adjourn the second meeting of creditors for a period not exceeding forty-five (45) business days; whereas**
- **former employees with outstanding entitlements to which GEERS may respond, may prefer an immediate winding up in order to access a more timely benefit from GEERS.**

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 1 June 2010, Peter Anderson, James Thackray and William Harris of McGrathNicol were appointed as R&M over the Company. Accordingly, control of the assets held by RMPL and limited 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 9 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 the Company, creditors elected to form a committee of creditors and the following creditors were elected as members:

Committee of Creditors	
Representative	Creditor
Julian Dayman	The ARK Fund Limited
Tim Rees	BGA Agri Services
Ivan Bennett	Chemicals Direct Pty Ltd
Lindsay Forrest	Forrest Nursery
Kerin Smart	Farmlink Rural

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 and the control of that company passed to its Joint and Several Voluntary Administrators, Mr Strickland and Mr Hurt of WA Insolvency Solutions Pty Ltd and then ultimately its R&M – namely Peter Anderson, William Harris and James Thackray of McGrathNicol.

## 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 meetings for a period not exceeding forty five (45) business days if creditors so resolve 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 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

RMPL was incorporated as Teak Management Pty Ltd on 12 October 1999. It then changed changed its name to Forest Rewards Management Pty Ltd on 3 December 1999, On 6 December 2002, the

company once again changed its name to Reward Management Pty Ltd. Presumably because of an administrative oversight being the omission of the “s” from the word Reward, on 16 December 2002, the company once again amended its name to become Rewards Management Pty Ltd.

RMPL is a proprietary company with 100 issued ordinary shares held by RGL and its registered office is listed as Ground Floor, 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	Position	Appointment Date	Cessation Date
Craig Ian Burton	Director	12 October 1999	Current
Craig Stephen Anderson	Director	5 December 2002	Current
Andrew Michael Radomiljac	Director	3 April 2000	Current
Barry Edwin Loller	Company Secretary	3 February 2010	Current
Jonathan Nesbit Willoughby	Company 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 the RMPL’s shareholder to be RGL with 100% shareholding for 100 issued ordinary shares.

### 3.1.4 Registered chargeholders

As at the date of our appointment, the following charges were registered against the Company:

Chargeholder	Charge No.	Date Registered	Type of Charge
National Australia Bank Limited	1127010	31/01/2005	Fixed and Floating
National Australia Bank Limited	1643446	3/06/2008	Fixed
Esanda Finance Corporation Limited	846416	12/02/2002	Fixed
Linetime Holdings Pty Ltd	1971805	11/05/2010	Fixed and Floating

The fixed charges noted above were created over the following property:

Property	Description	VIN/Chassis/Model No.	Serial/Engine No.	Charge No.
Motor Vehicle	Holden Rodeo Crew Cab	MPATFS85J7H570287	4JJ1EY5846	1643446
Motor Vehicle	Mitsubishi Triton GLX 4x4 MK Dual Cab	MMBJNK7701D033485	4M40KA4261	846416

We undertook a review of the above charges and determined them to be, prima facie, valid.

The NAB advanced approximately \$6M to RMPL in August 2008 in relation to a Master Asset Facility (financed plant and equipment).

On 23 March 2009, RMPL (the principal borrower) entered into a Market Rate Facility (MRF) with the NAB for a \$13.75M advance. A separate MRF was entered into on 31 March 2010 for an additional \$4M (the use of which we are endeavouring to reconcile). Pursuant to the terms of the additional agreement, the NAB advanced \$4M to RMPL and is entitled to a \$2M fee, that was stated to be due and payable at the earlier of 25 June 2010 or the termination of the Standstill Agreement entered into

with the NAB on 29 March 2010 and terminated by the NAB on 14 May 2010. Under the terms of the facility specific security was granted to the NAB which included a fixed and floating charge over all the present and future rights, property and undertaking of the Company. Similar fixed and floating charges have been recorded in respect to this facility against RPL, BPPL, OPPL, Rural Accommodation Pty Ltd and Probitas Finance Pty Ltd, though in each case the liability of the guarantee is capped at \$4M.

Accordingly, the amount owing to the NAB in relation to the last mentioned facility is approximately \$6M. Pending a proper reconciliation of the NAB's debt, the total amount owed to the NAB under three facilities is estimated to be \$26M.

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

The NAB exercised its rights to appoint R&M to the company on 1 June 2010 and appointed Peter Anderson, William Harris and James Thackray of McGrathNicol as Joint and Several Receivers and Managers to the Company.

We refer further to the Linetime charge at section 5.1.7 of this report.

### **3.1.5 Winding up applications**

There have been no winding-up applications against the Company.

## **3.2 Company history**

Incorporated on 12 October 1999 in Western Australia, the Company commenced trading as Teak Management Pty Ltd, on 12 October 1999 from premises on Level 2 'Scott House', 46 Kings Park Road, West Perth WA 6005.

Since RMPL's incorporation date, the Company has been a wholly owned subsidiary RGL, as noted in section 3.2.1 below.

RMPL's principal activities relates to the management of various MIS's administered by RPL. The role and duties of the Responsible Entity were assigned to RMPL by way of services agreement, which in turn provides for RMPL to engage and conduct the operational activities of the schemes as the trading entity. The directors are common between the two entities.

On 31 March 2010, ARK announced a proposed merger with RGL. A key component of the proposed arrangement, was completion of a recapitalisation of the relevant entities through a convertible bond to raise \$55M. The convertible bond issue would comprise an institutional placement of convertible bonds of \$44M and an entitlement issue to ARK shareholders of \$11M.

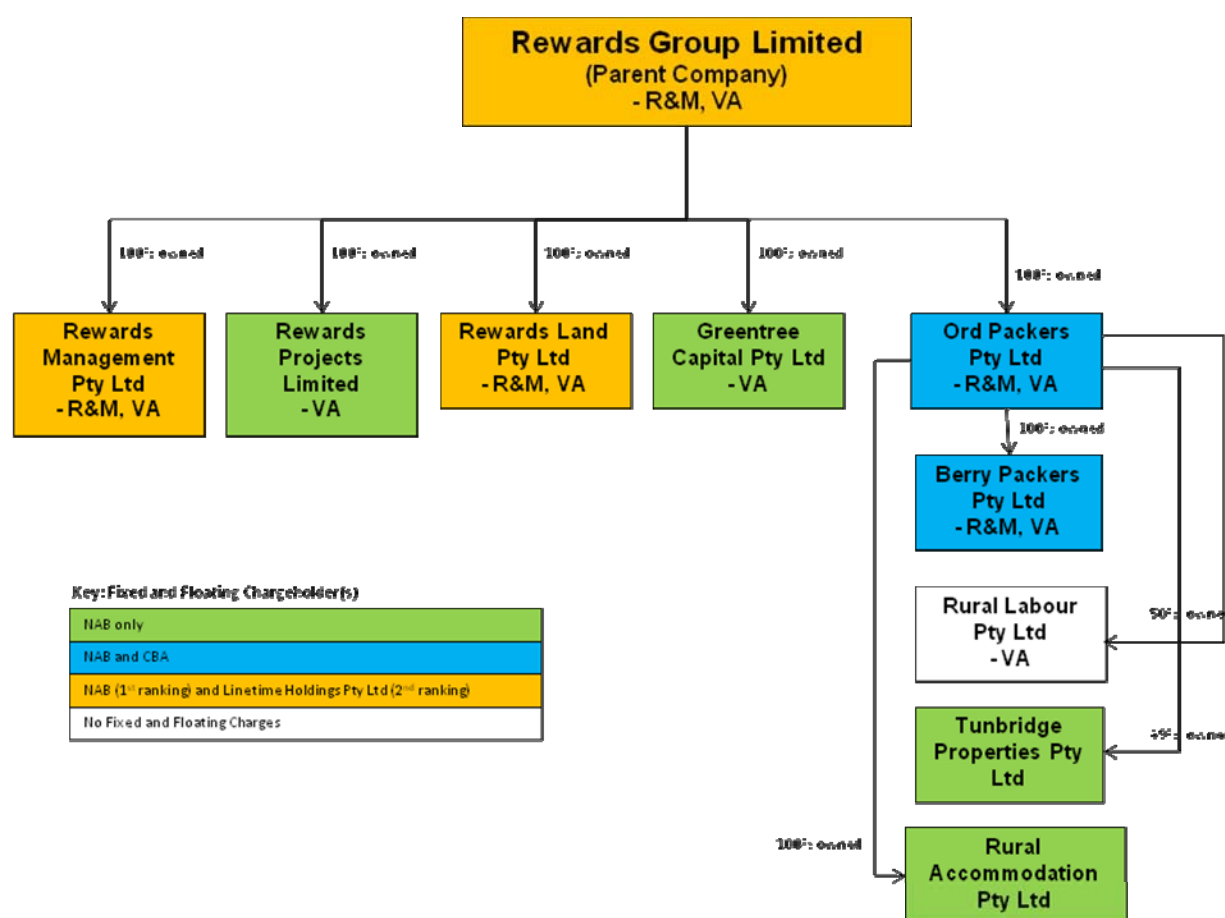
Subject to firm commitments to the convertible bond issue being received from institutional investors, due diligence, completion of an independent expert's report, completion of formal documentation, receipt of all necessary regulatory approvals, ARK shareholder approval at a general meeting, lodgement of a prospectus for the convertible bond rights issue and acceptance of the convertible bonds for public listing, ARK was to have acquired all of the shares in RGL in consideration of ARK issuing shares and options to RGL shareholders.

The proceeds of the recapitalisation were to be used to retire bank debt (approximately \$28M) with the balance applied towards enhancing the working capital position of the merged group.

Please refer to section 8 in respect of the proposed merger and specifically the directors reliance on the merger to provide sufficient funding to the Group, which in effect is the basis of the directors defence to any possible (but not yet determined) insolvent trading claim.

### 3.2.1 Group Structure

As noted above, RGL is the ultimate holding company of RMPL by way of its 100% ownership of the shares of the Company. 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

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

The Company 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 two (2) financial years together with our preliminary analysis.

Profit and Loss Summary	30 April 2010 \$	30 June 2009 \$	30 June 2008 \$
<b>Revenue</b>			
Project revenue	23,159,204	45,901,968	56,173,666
Other income	963,020	559,813	250,483
Interest income	450,976	2,807,552	3,653,821
<b>Total Income</b>	<b>24,573,200</b>	<b>49,269,333</b>	<b>60,007,971</b>
<b>Expenses</b>			
Project expense	(29,646,296)	(39,281,390)	(39,477,845)
Finance expense	(1,697,574)	(5,814,786)	(3,250,718)
Administration expense	(8,104,623)	(12,269,931)	(11,385,804)
Other	(3,084,225)	(5,681,723)	(6,415,679)
<b>Total Expenses</b>	<b>(42,532,718)</b>	<b>(63,047,829)</b>	<b>(60,530,046)</b>
Tax (expense)/income		(4,304,423)	(43,576)
<b>Net Profit/(Loss)</b>	<b>\$(17,959,518)</b>	<b>\$(9,474,072)</b>	<b>\$(452,075)</b>

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

- Project revenue was supposed to be generated through the supply of management services to the MIS projects to RPL in its capacity as Responsible Entity. We note such revenue is actually predominately proceeds from MIS sales from growers, rather than invoiced management services as such. Our enquiries in relation to this aspect of RMPL's activities are ongoing.
- Other Income consists of wine sales and harvest management fees
- RMPL has been operating at a loss since June 2008; and
- Expenses consist of operating, legal and professionals fees, administration and accounting expenses and bank charges.

For completeness, we note that the accounts above for the year ending 30 June 2008 and 30 June 2009 are based upon account workings that comprised the Rewards Group consolidated financials which were audited by Ernst and Young.

### 4.3 Balance sheet and preliminary analysis

A summary of the Company's balance sheet for the past two (2) financial years is set out below together with our preliminary analysis:

Balance Sheet	16 May 2010 (\$)	30 June 2009 (\$)	30 June 2008 (\$)
<b>Assets</b>			
Current assets	67,997,213	74,253,154	78,740,698
Non-current assets	72,060,023	98,768,295	60,184,930
<b>Total Assets</b>	<b>140,057,236</b>	<b>173,021,449</b>	<b>138,925,628</b>
<b>Liabilities</b>			
Current liabilities	(42,869,105)	(55,184,861)	(38,148,316)
Non-current liabilities	(67,395,021)	(67,762,051)	(41,228,702)
<b>Total Liabilities</b>	<b>(110,264,127)</b>	<b>(122,946,912)</b>	<b>(79,377,018)</b>
<b>Surplus/(Deficiency)</b>	<b>\$29,793,109</b>	<b>\$50,074,537</b>	<b>\$59,548,610</b>

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

- From the 30 June 2008 to 16 May 2010 trade debtors increased significantly with a decrease in the cash at bank balance indicating a difficulty the Company had in debt recovery;
- The increase in non-current assets at 30 June 2009 relates to an increase in securitised loan debtors. It is not clear to us why this is the case and we are considering the matter further;
- As at 16 May 2010, property plant and equipment had increased significantly, in particular assets under construction;
- The current liabilities contain a significant deferred income balance of \$15,157,000; and
- The non-current liabilities consists of bank loans, lease liabilities and securities loans, of which the balance for the bank loans has increased significantly from 30 June 2009 to the date of our appointment.

For completeness, we note that the accounts above for the year ending 30 June 2008 and 30 June 2009 are based upon account workings that comprised the Rewards Group consolidated financials which were audited by Ernst and Young.

## 5. Statement by directors

### 5.1 Summary

Section 438B of the Act requires the directors to give an Administrator a Statement. 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 and an ERV for each category.

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

Statement as at 16 May 2010	Report Reference	Cost or Net Book Value \$	Administrators' ERV \$
<b>Assets:</b>			
Debtors	5.1.1	58,130,608	Unascertained
Cash at bank	5.1.2	85,167	85,167
Plant and Equipment	5.1.3	21,410,676	Unascertained
Other Assets	5.1.4	10,279,920	Unascertained
<b>Sub Total</b>		<b>89,906,371</b>	<b>Unascertained</b>
Less: Priority Creditors	5.1.5	(403,313)	Unascertained
Assets subject to specific charges	5.1.6	(27,888,588)	Unascertained
Less amounts owing under charges	5.1.7		(20,000,000)
Partly Secured Creditors	5.1.8	(6,380,862)	Unascertained
<b>Total Available Assets to Unsecured Creditors</b>		<b>55,233,608</b>	<b>Unascertained</b>
Ordinary unsecured creditor claims	5.1.9	(11,565,343)	(16,877,192)
<b>Estimated Surplus/(Deficiency)</b>		<b>43,668,265</b>	<b>(Nil)</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 the Company's liability 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 future steps taken in relation to extracting value from the Group for the NAB.

Further, care should be taken in relying on the directors' statements for, but not limited to, the following reasons:

- The affairs of the Group are complex and whilst the statements have been prepared by the directors' on a good faith basis, the complexity of the Group and the MIS structure means that the rights and obligations of certain entities are still be determined;
- We have prepared a separate report for each entity within the Group and in this regard stakeholders need to consider their position and likely returns on an entity by entity basis;
- The uncertainty in current financial markets makes it difficult to estimate realisable values with a high degree of certainty and the Administrators do not have the necessary funding in many of the administrations that would enable us to obtain independent third party valuations. Accordingly, we have not disclosed any Administrators' ERV's; and
- Management accounts used by the directors to prepare their Statements have been prepared on a going concern basis.

The above schedule should not be used to determine the likely return to creditors as a number of realisable values are based on the Group's records and remain subject to review by the Administrators and, in particular:

- The Administrators are not presently in a position to confirm (or otherwise establish) the asset values attributed by the directors and the Group records due to the confidential and commercially sensitive nature of such information to the sale/restructuring process;
- The value of creditor claims remains subject to change as further claims may be received and require adjudication; and

- The estimated position does not provide for possible future trading losses, capital costs or the professional costs associated with the administration and receivership process.

In respect of the balances reported in the table above, we make the following comments:

### 5.1.1 Debtors

We table below a breakdown of the debtors at appoint as per the directors Statement:

	Amount Owing (\$)	Amount Realisable (\$)	Deficiency (\$)	Administrators' ERV (\$)
Trade Debtors	15,114,980	11,987,635	3,127,345	Unascertained
BAS Refund	544,040			Received
Related Loan Debtors	42,471,588			Unknown
<b>Total</b>	<b>58,130,608</b>	<b>11,987,635</b>	<b>3,127,345</b>	<b>Unknown</b>

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

- Trade debtors predominantly refer to outstanding management fees for the 2008 and 2009 financial year of issue. At the point in time we are unable to accurately quantify the likely amount that could be recovered in respect of these balances;
- We confirm that the BAS refund was received during the first week of our appointment. Please refer to the remuneration report for an account of the receipts and payments during the administration; and
- The amounts which relates to related loan debtors are as follows:

Intercompany Loans	Amount \$
Rewards Land Pty Ltd	25,457,433
Rewards Group Limited	12,106,130
Rewards Projects Limited	98,216
Ord Packers Pty Ltd	4,740,483
Stonefruit Orchards Pty Ltd	5,347
Rewards Asset Solutions	125
Domains & Vineyards	60,262
<b>Total Intercompany Loans</b>	<b>\$42,467,996</b>

We note that:

- the majority of the amounts owed to the Company relates to debt owing by related-entities which are also under external administration. Given the uncertainties as to the likelihood of any dividends from these entities, we cannot predict with any accuracy the estimate amount to be recovered from sundry debtors; and
- A copy of the Administrators' Report for the related entities can be downloaded from our website ([www.ferrierhdogson.com.au](http://www.ferrierhdogson.com.au)).

### 5.1.2 Cash on hand and cash at bank

Immediately upon our appointment we issued instructions to RMPL's banker, ANZ to freeze all bank accounts and to transfer the standing cash balance to a new account subject to our control. A total of

\$85,167 was held in RMPL's bank account at the date of our appointment, which was transferred to the Administrators' new account.

### 5.1.3 Property, plant and equipment

Given that the R&M have assumed control of all assets, we have not engaged independent valuers to assess the plant, equipment and office equipment. Accordingly, the value of the sale of the plant and equipment will flow through to the R&M.

Further, we note of the \$21M recorded in the directors statement approximately \$15M pertains to expenditure capitalised on the balance sheet and \$4M pertains to farm machinery on the scheme properties.

### 5.1.4 Other assets

The following table summarises the Company's other assets according to the Statement.

Other assets	Amount \$
Loan security deposits	10,249,920
Investment in Projects VY02	33,000
<b>Total Other Assets</b>	<b>\$10,279,920</b>

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

- Loan securities deposits are in reference to collateral accounts established upon the assignment of loans from RMPL to external financiers. Given the uncertainty surrounding the recoverability of loan receivables, we consider that this balance will not be available to RMPL unsecured creditors having regard to the fact that the external financiers are entitled to draw upon these funds to the extent that loans assigned to them by RMPL are uncollectable; and
- We have disclaimed the leases associated with the vineyard schemes, however we have been approached by an interested party who is seeking to reinstate the leases and fund the operations of the schemes through the balance of the funds current held in the scheme trust account. In order to affect such a relationship the Administrators must seek growers consent to utilise such funds and rely on the statutory protection under 440C of the Act to reinstate the leases. Accordingly value of the investment within the scheme cannot be estimated at this point in time.

### 5.1.5 Employee Entitlements

The directors' Statement discloses the following priority employee claims:

Employee Entitlements (Estimate only)	Amount \$
Annual Leave	364,780
Long Service Leave	38,533
<b>Total</b>	<b>\$403,313</b>

Not included in the directors' Statement is an amount of \$40,960 of the Company's statutory obligations for superannuation that has yet to be remitted. We further note that there were several employees, whose employment was terminated after our appointment (either by ourselves or the R&M after 1 June 2010). Many of these employees are entitled to various termination payments and may also have other entitlements owed to them. We have yet to quantify the quantum of such claims.

The unpaid superannuation will attract the SGC as a result of non-payment by the relevant date pursuant to Section 52 of the Superannuation Guarantee (Administration) Act 1992. The ATO is responsible for proving this debt and any distribution from the Company must be paid to the ATO, who will ultimately remit the funds to the relevant employees' superannuation funds.

Employee claims are afforded priority of repayment pursuant to Section 556 of the Act.

The Act also provides that 'Excluded Employees', which includes Company directors and their spouses, are each restricted to a total maximum priority claim of \$2,000 for unpaid wages and \$1,500 for annual leave entitlements.

Amounts owed to Excluded Employees that exceed the statutory cap for wages and superannuation and annual leave/long service leave, and all payments owing in respect of retrenchment, being redundancy and payment in lieu of notice, rank for dividend with all other unsecured creditors.

All employee entitlements will be paid out in accordance with the terms of any deed of company arrangement that the Company enters in to, or once funds are available should the Company proceed into liquidation. Should insufficient funds be available to meet priority claims of employees, they may be entitled to claim their entitlements (other than superannuation) under the Federal Government's GEERS scheme. In that regard, we note that employees with outstanding (non-superannuation) entitlements, may be able to access GEERS payments in a more timely manner in the event that RMPL moves immediately into liquidation.

#### 5.1.6 Assets subject to specific charges

The directors have included in the statement the off balance sheet loans financed by CBA and Investec as being assets subject to specific charges. We confirm that these assets do not form part of the asset base of RMPL, however for completeness we table below as the information provided for under the directors statement:

Financier	Value
	\$
Investec	9,041,720
CBA	17,548,859
UPF	1,298,000
<b>Total</b>	<b>\$27,888,579</b>

We confirm that the above balances are as they are represented on the directors' statement. We are reviewing the information provided to us by the company and whether these constituted assets subject to specific charges, as we are yet to sight charge documents in respect of these off-balance sheet loans.

#### 5.1.7 Secured creditors

Chargeholder	Charge No.	Date Registered	Type of Charge	Outstanding Liability
National Australia Bank Limited*	1127010	31/01/2005	Fixed and Floating	\$26M
Linetime Holdings Pty Ltd	1971805	11/05/2010	Fixed and Floating	\$1.8M

\*Contingent upon realisation of various assets. In the event that the R&M realise the guarantors' assets first, there may be a right of subordination/contribution in favour of such entities.

As mentioned in 3.1.4, the Company entered into two Market Rate Facilities with the NAB who advanced \$17.75M plus \$2M fee to RMPL. The NAB also advanced approximately \$6M to RMPL in

August 2008 in relation to a Master Asset Facility (financed plant and equipment). Accordingly, pending a proper reconciliation of the NAB debt, it is estimated to be in the vicinity of \$26M.

The directors Statement does not disclose the \$19.75M advances from NAB however the searches undertaken outline that RMPL is party to the loan Agreement described in 3.1.4. We note that the NAB exercised its right to enforce their security by appointing R&M.

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

Section 266 of the Act provides that a charge may be considered void if it's 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. We note that Linetime's charge appears to have been registered within 45 days of creation in accordance with section 263 of the Act.

### 5.1.8 Partly Secured Creditors

We table below the partly secured creditors as per the directors' statement:

Partly Secured Creditors	Value (\$)
The Ark Fund	5,218,697
Ord Orchards Land Unit Trust	501,005
Tunbridge Properties	431,398
S&L Dobson	125,730
Jones Lang LaSalle	104,030
<b>Total</b>	<b>\$6,380,860</b>

The Administrators have not adjudicated the proofs submitted by the above companies, however, prima facie, we consider the above to be ordinary unsecured creditors. This has been reflected in the Administrators' ERV.

### 5.1.9 Ordinary unsecured creditors

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. In this regard, the value of creditors denoted in the above table is as per the Company's records as at the date of our appointment.

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.

### 5.1.10 Omissions from Statement

Save for our previous comments regarding specific disclosures in the Statement, including the Linetime charge, there are no further material omissions from the directors' Statement that we are aware of.

## 5.2 Explanation for current financial position

The directors of the Group provided the following information with respect to their opinion as to the key reasons for the failure of RMPL and the other entities within the Group:

- Lack of willing external funders;
- Inability to obtain adequate working capital;
- Reduced capacity to recover outstanding debtors; and
- Recent reduced investor confidence in MIS is resulting in a deteriorating Industry.

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 within agricultural businesses that were susceptible to commodity prices and limited ability to increase annual management fees to adequately fund future costs from other sources of funding;
- Failure of some agriculture projects, investments and business units to deliver adequate returns to investors, which ultimately required supplemented funding, or the use of funds which would ordinarily be utilised for other scheme assets;
- The compounding impact of management fee write offs; and
- Management of the risk associated with the Groups heavily reliance on MIS sales comingled with the consequential vulnerability to regulatory changes that impact on such sales and the impact upon the industry due to the collapse of Great Southern Limited, Timbercorp Limited and Forestry Enterprises Australia Limited which in effect eroded investor confidence.

## 6. Trading by Administrators

### 6.1 Overview

The Administrators assumed control of the business upon appointment and continued the company's trading activities. Appropriate controls and systems were put in place in respect of cash/banking, purchase orders, stock control and reporting. A number of assets (leased or rented) were disclaimed by the Administrators, given the R&M's control over the Company's other assets.

The company's operations were continued during the period of the Administration up till the date (1 June 2010) of the appointment of the R&M. Since 1 June 2010, the R&M has been responsible for the company's operations generally. We further note that since the appointment of R&M to RMPL, all of the scheme operations have been conducted at RPL level.

Notwithstanding the above, since the date of our appointment we have continued to service the loan portfolio held in the name of RMPL, including by not limited loans financed by external financiers, namely, Commonwealth Bank of Australia Limited and Investec Bank (Australia) Limited. Various complications have arising in respect of the servicing due to legal and banking issues outside of our control, including but not limited to, the cancellation of the direct debit facility held by ANZ and the attempted reinstatement of the same through another bank.

We have yet to account for the collection of loan receipts generated during the period of the Administration as we are waiting on feedback from management as to the accounting that is required given the complexities of the MIS schemes. Specifically, we note that the loans are recorded on the

balance sheet of RMPL, however the loan applications, including the direct debit authorities are signed in favour of RPL. This oversight by the directors has raised concerns regarding the legality of the portfolio and we are considering the matter, including the validity of the documentation and the actions undertaken by the directors.

## 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. Sale of business and assets

The Administrators have received interest from a number of interested parties with respect to the acquisition / restructure of the Group's assets. As outlined in section 6 of this report, the RPL Administrators entered into interim funding agreements with RGAG and CG. The Supreme Court of Western Australia heard and approved the Administrators entering into the loan agreements with CG and RGAG on 30 June 2010. Under the CG funding arrangement CG will be funding operations to complete the current harvest of the berry schemes, which are expected to conclude around September / October 2010 in the case of Caboolture, Queensland and May 2011 in the case of Yarra Valley, Victoria.

RGAG's funding arrangement provides RGAG with exclusivity to information pertaining to the Group until 31 August 2010 (so long as funding remains in place) to liaise with the Administrators with a view of putting forward a restructuring / DOCA proposal for all or part of the Group and / or schemes managed by the Group (excluding berries, brushwood and vineyards schemes) for growers' and creditors' consideration, as applicable. RGAG are not currently in a position to provide the Administrators with a restructuring proposal which can be put forward to creditors' and growers'. In this regard, RGAG require further time to complete their due diligence and formulate their proposal.

Based on the above, it is our opinion that the second meeting of creditors for RPL be adjourned for a period not exceeding forty five (45) business days to allow RGAG with further time to complete their due diligence process with the view of formulating a restructuring / DOCA proposal for all or part of the Group and / or the schemes managed by the Group (excluding the brushwood, berries and vineyard schemes).

## 8. Statutory investigations

### 8.1 Nature and scope of review

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

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 title 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).

## 8.2 The Company's solvency

### 8.2.1 Overview

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

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

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

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

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

However, the 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.

### 8.2.2 Director's Liability

Insolvent trading is governed by Division 3 of Part 5.7B of the Act and imposes on directors individually a statutory duty to prevent insolvent trading by corporations.

Section 588G(2) of the Act provides that a director who fails to prevent a company from incurring a debt at a time when the director is aware that there are reasonable grounds for suspecting that the company is insolvent, or will become insolvent by incurring that debt or debts including that debt, contravenes section 588G of the Act. This may result in a civil penalty under the Act. For example, a compensation order in favour of the company under section 588J of the Act.

Section 588G(3) of the Act provides that if the director's failure to prevent the debt being incurred when the director suspected that the company was insolvent, or would become insolvent by incurring that debt or debts including that debt, and the director's failure to prevent the company incurring the debt was dishonest, then the director commits a criminal offence.

For civil liability to apply:

- (a) The person must be a director at the time the debt was incurred;
- (b) The company must be insolvent at the time the debt was incurred, or becomes insolvent by incurring the debt; and
- (c) The director must be aware of insolvency, or there were reasonable grounds for a person in that position to suspect insolvency.

Importantly under section 588M of the Act a liquidator may seek, from a director who has breached the insolvent trading provisions, compensation for losses suffered by creditors. This is not a right available to an administrator or a deed administrator.

Section 588H of the Act sets out defenses available to directors in respect of civil claims under section 588G(2), they are:

- (a) The director had reasonable grounds to expect that the company was solvent and would continue to be solvent when the debt was incurred;

- (b) The director relied on a competent and reliable person to provide information regarding the company's solvency and, on the basis of the information so provided, the director expected the company was solvent and would continue to be solvent when the debt was incurred;
- (c) Due to illness (or other good reason) the director was not involved in the management of the company; and
- (d) The director took all reasonable steps to prevent the debt being incurred.

### 8.2.3 Preliminary determination

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

#### Bank Facilities

We have conducted a preliminary review of the Company's banking however we require further time to consider the facility in detail and to accurately quantify the available cash that could be drawn down by the Company at any point in time. Additionally, further investigations are required in order to assess the Company' ability to service the debt through cashflow over the life of the facilities.

#### 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 \$
Total Creditors	22,140	1,255,378	1,506,376	14,093,299	<b>16,877,192</b>
<b>Percentage of total</b>	0.1%	7.4%	8.9%	83.5%	<b>100%</b>

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

- We have not adjudicated the proofs of debt in respect to the aged creditor analysis and believe that the values are subject to change as further information comes to hand;
- We note that Ark's outstanding lease obligations have not been included in the above analysis because they are actually payable by RPL according to the leases;
- Further, the complexities of the MIS structure and the Group make it difficult to ascertain whether the above creditors are solely in relation to RMPL or whether there is some cross-pollination of trade creditors across the entities within the Group; and
- A further 45 business day extension is expected to give the Administrators' sufficient time to accurately quantify the above with a view to forming a definitive position as to the likely insolvent trading claim against the directors.

#### Review of Board Minutes

We have conducted a preliminary review of the board minutes compiled by the Group. As the operations of the Group were historically performed by RMPL, we consider it appropriate to analysis and detail the same in this report. In this regard, we table below a brief chronology of the board minutes specifically relating to the financial position of the Group:

Date of Meeting	Summary of Finance Position Discussions
23 January 2009	<ol style="list-style-type: none"> <li>1. Sales target for PT09 is \$75M with a minimum of \$50M</li> <li>2. Discussions surrounding the inability to service \$8M of NAB debt due at 31 Jan 09 and the submission of an application to NAB to extend the due date.</li> </ol>
19 February 2009	<ol style="list-style-type: none"> <li>1. Discussions with NAB regarding increase in NAB facility.</li> </ol>
19 March 2009	<ol style="list-style-type: none"> <li>1. Confirmation that NAB have increased facility to \$6M but subject to personal guarantees by the directors.</li> <li>2. Capital costs over budget concerns on berry schemes, expected to be in excess of \$1m.</li> </ol>
16 April 2009	<ol style="list-style-type: none"> <li>1. Comments regarding the reliance on MIS sales, which are expected to be \$100M during the year.</li> <li>2. Cashflow forecasts provide reliance on \$40M in sales and a \$20M facility being provided.</li> <li>3. Comments regarding the tightness of liquidity due to the repayment of NAB facility during July.</li> </ol>
15 May 2009	<ol style="list-style-type: none"> <li>1. Main focus of the board meeting was to discuss the cashflow position of the Group.</li> <li>2. Board noted that cashflow is very tight and creditor payments are being deferred where possible.</li> <li>3. MIS sales are critical to ensure the \$14M NAB facility is repaid</li> <li>4. Group's solvency was discussed, and conclusion drawn that the Group is solvent based on the MIS sales expectations.</li> </ol>
18 June 2009	<ol style="list-style-type: none"> <li>1. Cashflow based on MIS sales of \$45M to repay 50% of the NAB facility by 30 June 09 and sale of 50% of securitised loans to generate further working capital.</li> <li>2. Based on the collapse of Great Southern and Timbercorp the board determined that MIS sales would be lower than expected and the NAB facility needs to be extended.</li> <li>3. Further capital needs to be raised by way of share capital or convertible notes.</li> </ol>
16 July 2009	<ol style="list-style-type: none"> <li>1. Loss of \$11M detail in the profit and loss.</li> <li>2. Short term cashflow assumptions were: <ul style="list-style-type: none"> <li>-Interim scheme distributions to offset outstanding Management fees</li> <li>-OZ Fresh Insurance claim payout</li> <li>-\$10M in MIS sales</li> <li>-Tunbridge loan repayment</li> <li>-Convertible notes issue</li> <li>-Asset sales</li> </ul> </li> <li>3. Extension on NAB facility requested.</li> <li>4. Capital raising strategies through ARK</li> <li>5. Establishment of Carbon Fund</li> </ol>
20 August 2009	<ol style="list-style-type: none"> <li>1. Extension granted on NAB facility to 31 August 2009</li> <li>2. No PT09 sales on supplementary prospectus issued</li> <li>3. Progression of Convertible notes issue.</li> </ol>
18 September 2009	<ol style="list-style-type: none"> <li>1. Reliance on MIS sales and new debt or equity tabled.</li> <li>2. Concerns raised as to whether the auditors will include "emphasis of matter" in relation to the going concern assumption.</li> </ol>
8 October 2009	<ol style="list-style-type: none"> <li>1. Cashflow position is tight and agreement reached with the ATO to pay GST liability of \$2.8M in four instalments.</li> <li>2. \$17M in outstanding management fees</li> <li>3. Comments regarding the tight cashflow position and required cost control measures.</li> <li>4. \$20M required in new equity and an IPO challenging in the market due to collapse of Great Southern and Timbercorp.</li> <li>5. Discussions surrounding the purchase of Great Southern's teak assets as a cheaper alternative for PT09 land purchase and planting of trees.</li> <li>6. Discussions regarding the progression of capital raising to occur as quickly as possible.</li> </ol>
17 November 2009	<ol style="list-style-type: none"> <li>1. Preparation of cashflow forecasts on a weekly basis</li> <li>2. Medium terms cashflow requires a merger to occur with Ark and an equity raising.</li> <li>3. NAB require repayment of \$6M upon merger, however discussions surrounding the extension</li> <li>4. Cash position is tight only \$800k available for working capital. Directors discussed utilising the funds held in the scheme accounts.</li> <li>5. Reliance on sales to carry the business through Dec/Jan to meet the Groups liabilities.</li> <li>6. McGrathNicol commence review of Groups operations on behalf of the NAB.</li> <li>7. Progression of merger with ARK. Independent experts engaged by Ark to assist in valuations.</li> <li>8. Board agrees that \$20M is required in further equity to repay debt and working capital.</li> <li>9. The Group placed offer for Great Southern's teak assets at a third of estimated book</li> </ol>

Date of Meeting	Summary of Finance Position Discussions
	value to satisfy requirements on PT09.
17 December 2009	<ol style="list-style-type: none"> <li>McGrath Nicol report highlights need for equity raising</li> <li>Board comments that the current cash position is critically low. Two major creditors Ark and ATO, with 75% of the Sept ATO liability now being repaid. \$1.6M due to Ark and standstill agreement discussions.</li> <li>Limited scope to delay further trade creditors outstanding and cash position reliant on MIS sales.</li> <li>Sales expected to be less than forecasted and lack of finance is major impediment.</li> <li>Discussions with NAB to allow repayment of Group debt to be satisfied by Tunbridge.</li> <li>NAB raised concerns as to Ark's Loan to Value Ratios.</li> <li>\$10M required for working capital and \$20M require to repay debt.</li> </ol>
21 January 2010	<ol style="list-style-type: none"> <li>Cashflow for 18months tabled, reliant on \$8M in working capital to be raised and \$20M by way of IPO.</li> <li>Board entering discussions with overseas investors and based on the advancement of sale, board concluded that the Group could meet its liabilities.</li> <li>If \$7.6M is raised in net seed capital the Group will have sufficient funds through till the end of April, but reliant on IPO post that.</li> <li>Cash position reliant on MIS sales of \$66M.</li> </ol>
18 February 2010	<ol style="list-style-type: none"> <li>Reliance on capital raising.</li> <li>Creditors exceed \$11M, CFO to review listing and determine outstanding creditors.</li> <li>\$2.25M required in funding through till end of March.</li> <li>Continuance of Ark Standstill.</li> <li>Board approved second ranking facility by director related entity with interest charged at 10% pa.</li> </ol>
18 March 2010	<ol style="list-style-type: none"> <li>Statutory Demands in respect of payments tabled.</li> <li>Cashflow critical levels to meet trade creditors.</li> <li>Group providing ASIC with weekly updates on position.</li> <li>Concerns raised on purchase of property for PT09 and whether settlement will proceed due to insufficient cash reserves.</li> </ol>
15 April 2010	<ol style="list-style-type: none"> <li>Continue to provide ASIC with weekly updates on cashflow position.</li> <li>Group will default on settlement of property due to lack of funds.</li> <li>Reliance on sales from PT10</li> <li>Non payment of PI insurance and discussions with ASIC to quantify the value required.</li> </ol>

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

- The directors were aware of the financial position of the Group, particularly RMPL as the operating entity;
- The directors placed heavy reliance on future MIS sales and the restructuring of the Group and Ark to alleviate any concerns as to the solvency of the Group; and
- Combined with our preliminary determination as to the causes of failure, the Group could not fund its operations based on the lack of MIS sales and the inability to source debt in the credit market.

### 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.

Working Capital	As at 16 May 2010 (\$)	As at 30 June 2009 (\$)	As at 30 June 2008 (\$)
Current Assets	67,997,213	74,253,154	78,740,698
Less: Current Liabilities	(42,869,105)	(55,184,861)	(41,228,702)
<b>Surplus/(Deficiency)</b>	<b>25,128,108</b>	<b>25,128,108</b>	<b>37,511,996</b>

The Company's working capital position was positive, notwithstanding the large amounts of intercompany receivables due to RMPL from the other entities within the Group.

In view of the above, the Administrators require further time to consider the working capital position of the Company and the Group generally, omitting the intercompany receivable, where appropriate. On that basis, it appears the Company may have been insolvent as early as June 2008.

## 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. Please refer to the above table providing an explanation as to the directors' view on solvency of the Group.

We table below summary of the Group's cashflow forecasts prepared by management and tabled at the board meetings on a monthly basis. We note these projections have not been audited and we make no comment as to the likely achievement of these projections for the period of time covered within the projections.

Rewards Group Consolidation Cashflow Summary	Jan-10 (\$)	Feb-10 (\$)	Mar-10 (\$)	Apr-10 (\$)	May-10 (\$)	Jun-10 (\$)	Jul-10 (\$)	Aug-10 (\$)
<b>INFLOWS</b>								
PT09 12mth Terms	608,660	608,660	608,660	608,660	608,660	608,660	875,000	875,000
Planting Services & Maintenance Funds	470,333	11,242	11,242	11,242	11,242	11,242	(10,030)	(10,030)
Refinance of PT09 12mth Terms								
Late PT09 Timber - terms	156,250	156,250	156,250	156,250	156,250	156,250	156,250	156,250
Late PV09 Vineyard - cash								
Late PT09 Timber - cash	0							
Late PV09 Vineyard - terms	156,250	156,250	156,250	156,250	156,250	156,250	156,250	156,250
PT10 Cash Applications	0	0	75,000	150,000	750,000	3,525,000	0	0
PT10 Finance Applications	0	0	250,000	500,000	2,500,000	11,750,000	0	0
Germany Fund	5,500,000	5,500,000	0	0	0	0	913,000	0
Pilot Carbon Fund								
Project Management Fee	1,000,000	500,000	500,000	500,000	500,000	500,000	1,000,000	4,000,000
Project Insurance recharges	30,000	5,000	0	0	0	0	0	150,000
Project - Harvest Income	3,795,000	1,712,500	883,000	1,226,000	1,470,000	425,000	2,100,000	2,283,000
Project - Marketing Fee	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Security Bonds	0	0	(25,000)	(50,000)	(250,000)	(1,175,000)	0	0
Other Income	40,000	40,000	340,000	40,000	40,000	340,000	40,000	540,000
Asset sales			750,000					
<b>Cash In</b>	<b>11,956,493</b>	<b>8,889,902</b>	<b>3,905,402</b>	<b>3,498,402</b>	<b>6,142,402</b>	<b>16,497,402</b>	<b>5,430,470</b>	<b>8,350,470</b>
<b>OUTFLOWS</b>								
Taxes	0	0	0	0	0	0	0	0
Bank and Finance Fees	7,714	0	0	107,714	0	0	7,714	0
Commission	0	0	0	0	145,000	405,000	3,570,320	(960,320)
GST	(123,486)	124,147	160,363	(344,867)	(299,767)	(8,797)	6,260,363	(4,328,958)
BDM Commission & Staff Bonuses	0	0	0	0	0	0	0	0
Assets and Investments - Leases	211,938	551,938	206,188	264,938	177,938	216,938	560,642	953,875
Land	1,750,000	1,750,000	0	150,000	2,135,295	0	0	250,000
Germany Fund - capital	410,209	465,860	212,903	419,863	385,758	171,258	135,408	120,608
Loans to Related Parties	0	0	0	0	0	0	0	0
Creditors	3,962,137	3,758,534	3,396,373	3,744,121	3,588,582	3,042,518	3,396,373	3,744,121
Interest Paid	102,500	102,500	102,500	102,500	102,500	102,500	102,500	102,500
Contracts	0	0	0	0	0	0	0	0
Harvest Expenses Until self funding	3,820,000	1,737,500	908,000	1,251,000	1,495,000	450,000	1,183,000	2,308,000
Harvest Supplementary Payments	0	0	0	0	0	0	0	0
Transfer to Trust Accounts	0	0	0	0	0	0	0	0
Repayment of Overdraft								
Repayment of NAB Facility								
<b>Cash Out</b>	<b>10,141,011</b>	<b>8,490,479</b>	<b>4,986,327</b>	<b>5,695,269</b>	<b>7,730,305</b>	<b>4,379,416</b>	<b>15,216,319</b>	<b>2,189,826</b>
<b>Cash Movement</b>	<b>1,815,482</b>	<b>399,424</b>	<b>(1,080,924)</b>	<b>(2,196,866)</b>	<b>(1,587,903)</b>	<b>12,117,986</b>	<b>(9,785,849)</b>	<b>6,160,644</b>
<b>Opening Cash Position</b>	<b>1,981,088</b>	<b>3,796,570</b>	<b>4,195,994</b>	<b>3,115,070</b>	<b>918,204</b>	<b>(669,699)</b>	<b>11,448,287</b>	<b>1,662,438</b>
<b>Net Cash Position</b>	<b>3,796,570</b>	<b>4,195,994</b>	<b>3,115,070</b>	<b>918,204</b>	<b>(669,699)</b>	<b>11,448,287</b>	<b>1,662,438</b>	<b>7,823,082</b>

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

- The Group prepared several cashflow forecasts based around the various restructuring options that the Group were attempting to secure. The above cashflow forecast was prepared in September 2009 by RMPL management and is based on the following assumptions:

- Repayment of \$3M towards the NAB facility during November 2009 and a further \$2M during the month of September 2009;
- \$20M in harvest revenue between July 2009 and June 2010;
- \$7M in further income from PT09 sales between July 2009 and June 2010;
- \$11M advanced by way of Convertible note issue;
- Approximately \$20M in PT10 applications in cash and by way of finance; and
- \$20M in annual management fees during the course of the 2009 finance year.
- Based on our discussions with management we understanding the above forecast to be indicative of the restructuring initiatives undertaken by the Group to maintain the Group's solvency, including but not limited to, the Group's reliance on MIS sales and external funding.

## Net Assets

The net asset position of the Company is summarised in the below table;

Balance Sheet	As at 16 May 2010 (\$)	As at 30 June 2009 (\$)	As at 30 June 2008 (\$)
Total Assets	140,057,236	173,021,449	138,925,628
Total Liabilities	(110,264,127)	(122,946,912)	(79,377,018)
<b>Net Assets</b>	<b>29,793,109</b>	<b>50,074,537</b>	<b>59,548,610</b>
<b>Net Asset Ratio</b>	<b>1.27</b>	<b>1.40</b>	<b>1.75</b>

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

- The net asset position above does not accurately reflect the position of the Company today given the intercompany receivables from other entities within the Group (which are themselves subject to administration), the approximate value of which is \$30M as at 16 May 2010; and
- The Company has also recorded the off-balance sheet securitised loans as an asset and equally a liability of the Company therefore netting each other off, but nevertheless increasing the size of the total assets and total liabilities.

## 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*

It is our understanding that only the superannuation portion which relates to the payroll for the month of May 2010 is outstanding and this totals approximately \$40,960.

### *GST*

It is our understanding that at the date of our appointment, the Company's records indicate that approximately \$384,859 is owed to the ATO in respect of current tax liabilities on the balance sheet.

Further, the Company has not lodged a BAS return in respect of May 2010 as at the date of writing this report.

### *Preliminary View of Insolvency*

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

<b>Analysis</b>	<b>Likely Date of Insolvent</b>
Review of the company's bank facilities	Further review required
Aged Payable Review	June 2009
Finance Commitment Review	June 2009
Profitability	June 2008
Working Capital	June 2008
Net Assets	n/a
Statutory Commitments	October 2009

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

#### **8.2.4 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.

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

#### **8.3.1 Unfair preferences**

Our preliminary investigations into the Company's affairs reveal that there may be some payments 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.

We have identified several transactions which constitute unfair preferences pursuant to Section 588FH of the Act. We are considering this matter in further detail and should creditors resolve to adjourn the second meeting of creditors, the Administrators will conduct further investigations into the aforementioned transactions, alternative should creditors' resolve that the company be put in liquidation, any future appointed liquidator would perform further work and investigation in respect of this area before concluding on the availability of any recoveries for the benefit of creditors.

For the purposes of this report, we estimate potential recoveries from unfair preferences at between \$1.3M and nil. Please note this is an estimate only. There is no guarantee that a liquidator will recover funds or that costs ultimately dissipate the benefit to creditors.

### **8.3.2 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.

### **8.3.3 Unfair loans**

Based on our investigations to date, we consider that two loans to the Company require further investigations to assess the validity of the advancement of funds and the granting of security. We confirm that 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. Likewise, if the meeting of creditors is adjourned, further work will be undertaken before a further report is made to creditors.

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

We are considering the validity of a number of transactions that the directors entered into having regard to their timing and the benefit derived by the directors through related party entities. It may be the case that such transactions are of a voidable nature however further investigative work would be required before conclusions can be drawn.

### **8.3.5 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.

### **8.3.6 Voidable charges**

We are considering the validity of the charges having regard to their timing and the benefit to the Company of providing the secured guarantees. It may be that certain funds from the advances did benefit the company and that there was a genuine expectation that a restructure would occur, but further enquiry will be necessary before we can draw any conclusion.

Section 266 of the Act provides that a charge may be considered void if it's 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.

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

### **8.4.1 Director liability**

Based on our analysis at Section 8.2.3 of this report, we indicated it was probable that the Company was arguably 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 support of RGL, RPL and RMPL to meet its payment obligations and that a recapitalisation of the Group was being planned;
- When it appeared that the recapitalisation efforts was 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 8.8 and indicates 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).

It appears that an insolvent trading action may be commercially viable in the event that a liquidators is appointed to the Company. Synergies may also be available if it is capable of being advanced in unison with other insolvent trading claims within the Group, but only if there is an asset base to satisfy such claims in either the directors or the Group's Directors' and Officer's Insurer.

## 8.4.2 Holding company liability

RGL was the holding company of RMPL and, in our view, the nature and extent of RGL's control over the Company's operations was such that it would be reasonable to expect RGL and its directors had knowledge of the Company's financial position, though the consolidated monthly accounts prepared for the Group may have had the effect of masking the solvency issues of RMPL and the other companies.

Further, we note that there is a Deed of Cross Guarantee between RGL and RMPL which pools the assets and liabilities of both entities for the benefit of creditors. As stated throughout this report, we require further time to consider the date in which the Company was insolvent with a view to reporting back to creditors on the same.

However, the Courts have held that, as a defence to such proceedings, a holding company can off-set any claim by a liquidator under Section 588W against monies owing under an intercompany loan account. As RGL is also under external administration, it may not be commercially viable to pursue such recovery unless directors' assets or the abovementioned policy were to satisfy/respond to same.

## 8.5 Other potential liquidator recoveries

### 8.5.1 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.

### 8.5.2 Arrangements to avoid employee entitlements

Based on our investigations to date, we have no identified any contraventions of Part 5.8A of the Act.

## 8.6 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.

## 8.7 Summary of potential liquidator recoveries

At this point in time we cannot accurately quantify the potential recoveries that would be available to the liquidator should the Company be wound up and more generally the Group. In this regard, should creditors resolve to adjourn the second creditors meeting for a period not exceeding forty five (45) business days, the Administrators will conduct in depth analysis and revert back to creditors on the same with a view to attempting to quantify the recoveries that would likely be available to a liquidator.

## 8.8 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.

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.

## 8.9 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 are giving consideration to preparing a preliminary report to the ASIC in respect to the Company. 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.

## 9. 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.

## 9.1 Administration to end

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

Based on 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.

## 9.2 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 8 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 and placed immediately into liquidation. No position is expected to be lost by ordinary unsecured creditors by deferring this decision. That said, employees whom may benefit from a more timely GEERS distribution (in relation to non-superannuation entitlements) in the event that the Company is placed immediately into liquidation, though there may be a prospect of an improved return in relation to superannuation entitlements in the event that a DOCA is proposed and agreed in the future.

## 9.3 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 ordinary unsecured creditors' best interests for the Company to adjourn the second meeting for a period of not more than forty five (45) business days, whereas employees may prefer an immediate winding up to access potential GEERS advances in a more timely manner.

## 10. Administrators' opinion

As stated in section 9.1 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:

- Ordinary unsecured creditors should resolve to adjourn the second meeting of creditors for a period not exceeding forty-five (45) business days; whereas
- Former employees with outstanding entitlements to which GEERS may respond, may prefer an immediate winding up in order to access a more timely benefit from GEERS.

## 11. 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

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the remuneration report. Details of disbursements incurred are also included in the remuneration report.

## 12. Further queries

We will advise creditors in writing, if practicable, of any additional matter that comes to our 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 either Sean Holmes or Jamie Gunnis of this office.

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

A handwritten signature in black ink, appearing to read 'Martin Jones', with a large, stylized flourish underneath.

**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 MANAGEMENT PTY LTD ACN 089 940 376  
(Receivers and Managers Appointed)(Administrators Appointed)  
(the Company)**

**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 calculation for the period 16 May 2010 to 31 July 2010.
- A3 Schedule of the Administrators' anticipated tasks and remuneration estimate for the period 1 August 2010 to 15 August 2010.
- A4 Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and remuneration estimate from 16 August 2010 to the conclusion of the liquidation.
- A5 Resolutions to be put to creditors at the meeting convened for 16 August 2010.

**Part B**

- B1 Administrators' disbursements.
- 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.



## **PART A**

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

<b>Title</b>	<b>Rate (\$) As at 1 Aug 2010</b>	<b>Previous Rate (\$)</b>	<b>Experience</b>
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 calculation for the period 16 May 2010 to 31 July 2010

Administrators' fees, based on the tasks detailed below, for the period 16 May 2010 to 31 July 2010 are \$151,190.50 (exclusive of GST).

<b>Assets</b> 98.90 hours \$23,191.00	Sale of business as a going concern	<ul style="list-style-type: none"> <li>▪ Corresponded with interested parties</li> <li>▪ Prepared and maintained interested parties schedule</li> <li>▪ Referred interested parties onto Receivers and Managers, as appropriate</li> </ul>	
	Debtors	<ul style="list-style-type: none"> <li>▪ Reviewing and assessing debtors ledgers</li> </ul>	
	Stock	<ul style="list-style-type: none"> <li>▪ Requested stock takes</li> </ul>	
	Leasing	<ul style="list-style-type: none"> <li>▪ Reviewing leasing documents</li> <li>▪ Liaising with owners/lessors</li> <li>▪ Tasks associated with disclaiming leases</li> </ul>	
<b>Creditors</b> 71.10 hours \$17,615.00	Secured creditor reporting	<ul style="list-style-type: none"> <li>▪ Responding to secured creditor's queries</li> </ul>	
	Creditor reports/circulars	<ul style="list-style-type: none"> <li>▪ Initial circular to creditors. Prepare report pursuant to section 439A of the Act.</li> </ul>	
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>▪ Receipting and filing POD's when not related to a dividend</li> <li>▪ Corresponding with OSR and ATO regarding POD's when not related to a dividend</li> </ul>	
	Meeting of Creditors	<ul style="list-style-type: none"> <li>▪ Preparation meeting notices, proxies and advertisements</li> <li>▪ Forward notice of meeting to all known creditors</li> <li>▪ Preparation of 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>▪ Preparation and lodgement minutes of meetings with ASIC</li> <li>▪ Respond to stakeholder queries and questions immediately following meeting</li> </ul>	
<b>Administration</b> 109.80 hours \$42,176.50	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>	
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ First month, then 6 monthly administration review</li> <li>▪ Filing of documents</li> <li>▪ File reviews</li> <li>▪ Updating checklists</li> </ul>	
	Insurance	<ul style="list-style-type: none"> <li>▪ Identification of potential issues requiring attention of insurance specialists</li> <li>▪ Correspondence with Willis regarding initial and ongoing insurance requirements</li> <li>▪ Reviewing insurance policies</li> <li>▪ Correspondence with previous brokers</li> </ul>	
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Preparing correspondence opening and closing accounts</li> <li>▪ Requesting bank statements</li> <li>▪ Bank account reconciliations</li> <li>▪ Correspondence with bank regarding specific transfers</li> </ul>	
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> <li>▪ Preparing and lodging ASIC forms including 505, 524, 911 etc</li> <li>▪ Correspondence with ASIC regarding statutory forms</li> </ul>	
	ATO & other statutory reporting	<ul style="list-style-type: none"> <li>▪ Notification of appointment</li> <li>▪ Preparing BAS'</li> <li>▪ Completing group certificates</li> </ul>	
	Planning / Review	<ul style="list-style-type: none"> <li>▪ Discussions regarding status/strategy of administration</li> </ul>	



	Books and records / storage	<ul style="list-style-type: none"> <li>▪ Dealing with records in storage</li> <li>▪ Sending job files to storage</li> </ul>
<b>Employees</b> <b>44.10 hours</b> <b>\$11,292.50</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>210.20 hours</b> <b>\$51,664.50</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>18.90 Hours</b> <b>\$5,251.00</b>	Conducting investigation	<ul style="list-style-type: none"> <li>▪ Review of company books and records</li> <li>▪ Reconstruction of financial statements</li> <li>▪ Reviewing company's books and records/seek Report as to Affairs</li> <li>▪ Review and preparation of company nature and history</li> <li>▪ Conducting and summarising statutory searches</li> <li>▪ Preparation of comparative financial statements</li> <li>▪ Review of specific transactions and liaising with directors regarding certain transactions</li> <li>▪ Reviewing investor updates and summarising</li> <li>▪ Preparing chronology of major events</li> <li>▪ Preparation of investigation file</li> </ul>
	Litigation / Recoveries	<ul style="list-style-type: none"> <li>▪ Liaising with solicitors regarding various matters</li> </ul>

**A2 (cont) Tasks undertaken by the Administrators and remuneration calculation (exclusive of GST) 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	\$	
Birch, T	Supervisor	285.00	2.00	570.00	-	-	-	-	-	2.00	570.00	-	-	-	-	-	-
Chu, K	Supervisor	285.00	106.00	30,210.00	15.40	4,389.00	7.20	2,052.00	14.60	4,161.00	12.20	3,477.00	47.90	13,651.50	8.70	2,479.50	-
Coleman, S	Senior 1	255.00	7.60	1,938.00	-	-	0.50	127.50	4.90	1,249.50	1.70	433.50	-	-	0.50	127.50	-
Dale, E	Senior 1	255.00	4.70	1,198.50	1.40	357.00	1.40	357.00	-	-	-	-	1.90	484.50	-	-	-
Di Menna, A	Intermediate 1	185.00	0.80	148.00	-	-	-	-	0.70	129.50	-	-	0.10	18.50	-	-	-
Field, M	Senior Manager	390.00	19.90	7,761.00	1.40	546.00	2.00	780.00	1.30	507.00	6.10	2,379.00	5.90	2,301.00	3.20	1,248.00	-
George, K	Intermediate 2	155.00	2.70	418.50	0.80	124.00	-	-	1.90	294.50	-	-	-	-	-	-	-
Grey, E	Clerk	130.00	2.00	260.00	2.00	260.00	-	-	-	-	-	-	-	-	-	-	-
Gunnis, J	Senior 2	230.00	54.40	12,512.00	14.90	3,427.00	17.10	3,933.00	1.30	299.00	5.60	1,288.00	15.50	3,565.00	-	-	-
Holmes, S	Senior 2	230.00	222.10	51,083.00	43.10	9,913.00	21.70	4,991.00	34.20	7,866.00	5.60	1,288.00	113.20	26,036.00	4.30	989.00	-
Jones, M	Partner	540.00	5.40	2,916.00	-	-	1.00	540.00	4.40	2,376.00	-	-	-	-	-	-	-
Keir, D	Senior 2	230.00	25.90	5,957.00	4.30	989.00	10.30	2,369.00	7.50	1,725.00	1.90	437.00	1.90	437.00	-	-	-
Kroon, M	Secretary	150.00	0.60	90.00	-	-	-	-	0.60	90.00	-	-	-	-	-	-	-
Linfoot, C	Intermediate 2	155.00	2.90	449.50	-	-	0.90	139.50	2.00	310.00	-	-	-	-	-	-	-
Luck, G	Intermediate 1	185.00	0.70	129.50	-	-	-	-	0.70	129.50	-	-	-	-	-	-	-
Martin, K	Clerk	130.00	1.80	234.00	-	-	-	-	1.80	234.00	-	-	-	-	-	-	-
McCann, L	Senior 2	230.00	2.20	506.00	-	-	1.80	414.00	0.40	92.00	-	-	-	-	-	-	-
Puddy, A	Intermediate 1	185.00	5.70	1,054.50	0.60	111.00	1.30	240.50	3.80	703.00	-	-	-	-	-	-	-
Radisich, D	Clerk	130.00	3.60	468.00	-	-	-	-	3.60	468.00	-	-	-	-	-	-	-
Roberts, C	Intermediate 1	185.00	12.30	2,275.50	-	-	0.30	55.50	0.30	55.50	9.50	1,757.50	-	-	2.20	407.00	-
Ross, M	Clerk	130.00	0.70	91.00	-	-	-	-	0.70	91.00	-	-	-	-	-	-	-
Smith, A	Senior Manager	390.00	23.90	9,321.00	-	-	2.80	1,092.00	16.90	6,591.00	-	-	4.20	1,638.00	-	-	-
Vetten, P	Intermediate 2	155.00	88.90	13,779.50	5.00	775.00	1.60	248.00	67.80	10,509.00	1.50	232.50	13.00	2,015.00	-	-	-
Webb, G	Senior 2	230.00	28.00	6,440.00	10.00	2,300.00	1.20	276.00	10.20	2,346.00	-	-	6.60	1,518.00	-	-	-
Westwood, J	Secretary	150.00	9.20	1,380.00	-	-	-	-	9.20	1,380.00	-	-	-	-	-	-	-
<b>Total</b>			<b>634.00</b>	<b>151,190.50</b>	<b>98.90</b>	<b>23,191.00</b>	<b>71.10</b>	<b>17,615.00</b>	<b>190.80</b>	<b>42,176.50</b>	<b>44.10</b>	<b>11,292.50</b>	<b>210.20</b>	<b>51,664.50</b>	<b>18.90</b>	<b>5,251.00</b>	

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

Based on the following anticipated tasks, we estimate the Administrators' fees for the above period at \$20,000.00 (exclusive of GST).

<b>Assets</b> 5.50 hours \$1,555.00	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>▪ Liaising with owners/lessors</li> <li>▪ Reviewing lease documents</li> </ul>
	<b>Creditors</b> 47.50 hours \$11,695.00	Creditor Enquiries
	Meeting of Creditors	<ul style="list-style-type: none"> <li>▪ Preparation meeting notices, proxies and advertisements</li> <li>▪ Forward notice of meeting to all known creditors</li> <li>▪ Preparation of 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>▪ Preparation and lodgement minutes of meetings with ASIC</li> <li>▪ Respond to stakeholder queries and questions immediately following meeting</li> </ul>
	Secured creditor reporting	<ul style="list-style-type: none"> <li>▪ Responding to secured creditor's queries</li> </ul>
	Creditor reports/circulars	<ul style="list-style-type: none"> <li>▪ Preparing report to creditors pursuant to section 439A of the Act</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 when not related to a dividend</li> </ul>
<b>Investigations</b> 10.00 hours \$2,830.00	Conducting investigation	<ul style="list-style-type: none"> <li>▪ Reconstruction of financial statements</li> <li>▪ Reviewing company's books and records and Report as to Affairs</li> <li>▪ Review and preparation of company nature and history</li> <li>▪ Review of specific transactions and liaising with directors regarding certain transactions</li> <li>▪ Liaising with directors regarding certain transactions</li> <li>▪ Preparation of investigation file</li> </ul>
	ASIC reporting	<ul style="list-style-type: none"> <li>▪ Liaising with ASIC (if required)</li> </ul>
<b>Administration</b> 15.00 hours \$3,920.00	Shareholder enquires	<ul style="list-style-type: none"> <li>▪ Responding to any shareholder legal action</li> </ul>
	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ Administration reviews</li> <li>▪ Filing of documents</li> <li>▪ File reviews</li> <li>▪ Updating checklists</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Preparing correspondence opening and closing accounts</li> <li>▪ Requesting bank statements</li> <li>▪ Bank account reconciliations</li> <li>▪ Correspondence with bank regarding specific transfers</li> </ul>
	Planning / Review	<ul style="list-style-type: none"> <li>▪ Discussions regarding status/strategy of administration</li> </ul>

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

Employee	Position	Charge Rate (\$)	Hours	Total	Assets		Creditors		Investigation		Administration	
				\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Martin Jones	Partner	540	1.0	540.00	-	-	-	-	-	-	1.0	540.00
Malcolm Field	Senior Manager	400	3.0	1,200.00	0.5	200.00	0.5	200.00	1.0	400.00	1.0	400.00
Kieran Chu	Supervisor	295	23.0	6,785.00	3.0	885.00	9.0	2,655.00	6.0	1,770.00	5.0	1,475.00
Geoff Webb	Senior 2	235	33.0	7,755.00	1.0	235.00	30.0	7,050.00	1.0	235.00	1.0	235.00
Jamie Gunnis	Senior 2	235	8.0	1,880.00	-	-	6.0	1,410.00	-	-	2.0	470.00
Sean Holmes	Senior 2	235	2.0	470.00	1.0	235.00	-	-	1.0	235.00	-	-
Adam Puddy	Intermediate 1	190	4.0	760.00	-	-	2.0	380.00	1.0	190.00	1.0	190.00
Alex Godfrey	Intermediate 2	160	2.0	320.00	-	-	-	-	-	-	2.0	320.00
Jacqui Westwood	Secretary	155	1.0	155.00	-	-	-	-	-	-	1.0	155.00
Dorothy Radisich	Filing	135	1.0	135.00	-	-	-	-	-	-	1.0	135.00
<b>Total</b>			<b>78.00</b>	<b>\$20,000.00</b>	<b>5.50</b>	<b>\$1,555.00</b>	<b>47.50</b>	<b>\$11,695.00</b>	<b>10.00</b>	<b>\$2,830.00</b>	<b>15.00</b>	<b>\$3,920.00</b>

Please note that the above is an estimate only. If costs exceed the estimate, we will advise creditors accordingly and seek further approvals

#### A4 Schedule of anticipated tasks and Liquidators' estimated prospective remuneration for the period 16 August 2010 to the conclusion of the liquidation

Based on the following anticipated tasks of the Liquidation, we estimate the Liquidators' fees at \$200,000.00 (exclusive of GST).

<b>Assets</b> <b>88.00 hours</b> <b>\$23,890.00</b>	Plant and equipment	<ul style="list-style-type: none"> <li>▪ Liaising with valuers, auctioneers and interested parties</li> <li>▪ Reviewing asset listings</li> </ul>
	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>
	Stock	<ul style="list-style-type: none"> <li>▪ Reviewing stock values</li> <li>▪ Liaising with purchasers</li> </ul>
	Other assets	<ul style="list-style-type: none"> <li>▪ Tasks associated with realising other assets</li> </ul>
<b>Creditors</b> <b>412.00 hours</b> <b>\$105,340.00</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Receive and follow up creditor enquiries via telephone</li> <li>▪ Maintaining creditor enquiry register</li> <li>▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Correspondence with committee of creditors members</li> </ul>
	Secured creditor reporting	<ul style="list-style-type: none"> <li>▪ Preparing reports to secured creditor</li> <li>▪ Responding to secured creditor's queries</li> </ul>
	Creditor reports/circulars	<ul style="list-style-type: none"> <li>▪ Preparing general reports to creditors</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>▪ Receipting and filing POD's when not related to a dividend</li> </ul>
	Meeting of creditors	<ul style="list-style-type: none"> <li>▪ Preparation meeting notices, proxies and advertisements</li> <li>▪ Forward notice of meeting to all known creditors</li> <li>▪ Preparation of 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>▪ Preparation and lodgement minutes of meetings with ASIC</li> <li>▪ Respond to stakeholder queries and questions immediately following meeting</li> </ul>
<b>Investigation</b> <b>122.00 hours</b> <b>\$30,590.00</b>	Conducting investigation	<ul style="list-style-type: none"> <li>▪ Collection of company books and records</li> <li>▪ Correspondence with ASIC to receive assistance in obtaining books and records</li> <li>▪ reconstruction of financial statements</li> <li>▪ Reviewing company's books and records and Report as to Affairs</li> <li>▪ Review and preparation of company nature and history</li> <li>▪ Conducting and summarising statutory searches</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>▪ 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(s) regarding examinations</li> <li>▪ Attendance at examination</li> <li>▪ Reviewing examination transcripts</li> <li>▪ Liaising with solicitor(s) regarding outcome of examinations and further actions available</li> </ul>
	Litigation / Recoveries	<ul style="list-style-type: none"> <li>▪ Internal meetings to discuss status of litigation</li> <li>▪ Preparing brief to solicitors</li> </ul>



		<ul style="list-style-type: none"> <li>▪ Liaising with solicitors regarding recovery actions</li> <li>▪ Attending to negotiations</li> <li>▪ Attending to settlement matters</li> </ul>
	ASIC reporting	<ul style="list-style-type: none"> <li>▪ Preparing statutory investigation reports</li> <li>▪ Preparing affidavits seeking non lodgements assistance</li> <li>▪ Liaising with ASIC</li> </ul>
	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>
<b>Administration 160.00 hours \$40,180.00</b>	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ First month, then 6 monthly administration review</li> <li>▪ Filing of documents</li> <li>▪ File reviews</li> <li>▪ Updating checklists</li> </ul>
	Insurance	<ul style="list-style-type: none"> <li>▪ Correspondence with Willis regarding ongoing insurance requirements</li> <li>▪ Reviewing insurance policies</li> <li>▪ Correspondence with previous brokers</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Preparing correspondence opening and closing accounts</li> <li>▪ Requesting bank statement</li> <li>▪ Bank account reconciliations</li> <li>▪ Correspondence with bank regarding specific transfers</li> </ul>
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> <li>▪ Preparing and lodging ASIC forms including 505, 524, 911 etc</li> <li>▪ Correspondence with ASIC regarding statutory forms</li> </ul>
	ATO & other statutory reporting	<ul style="list-style-type: none"> <li>▪ Notification of appointment</li> <li>▪ Preparing BAS'</li> <li>▪ Completing group certificates</li> </ul>
	Finalisation	<ul style="list-style-type: none"> <li>▪ Notifying ATO of finalisation</li> <li>▪ Cancelling ABN / GST / PAYG registration</li> <li>▪ Completing checklists</li> <li>▪ Finalising WIP</li> </ul>
	Planning / Review	<ul style="list-style-type: none"> <li>▪ Discussions regarding status/strategy of administration</li> </ul>
	Books and records / storage	<ul style="list-style-type: none"> <li>▪ Dealing with records in storage</li> <li>▪ Sending job files to storage</li> </ul>

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

Employee	Position	Charge Rate (\$)	Total		Assets		Creditors		Investigation		Administration	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Martin Jones	Partner	540	6.0	3,240.00	-	-	-	-	-	-	6.0	3,240.00
Malcolm Field	Senior Manager	400	54.0	21,600.00	10.0	4,000.00	24.0	9,600.00	12.0	4,800.00	8.0	3,200.00
Kieran Chu	Supervisor	295	220.0	64,900.00	44.0	12,980.00	88.0	25,960.00	48.0	14,160.00	40.0	11,800.00
Sandra Gauci	Senior 2	235	280.0	65,800.00	10.0	2,350.00	220.0	51,700.00	10.0	2,350.00	40.0	9,400.00
Jamie Gunnis	Senior 2	235	88.0	20,680.00	-	-	64.0	15,040.00	-	-	24.0	5,640.00
Adam Puddy	Intermediate 1	190	86.0	16,340.00	24.0	4,560.00	16.0	3,040.00	32.0	6,080.00	14.0	2,660.00
Alex Godfrey	Intermediate 2	160	32.0	5,120.00	-	-	-	-	20.0	3,200.00	12.0	1,920.00
Jacqui Westwood	Secretary	155	8.0	1,240.00	-	-	-	-	-	-	8.0	1,240.00
Dorothy Radisich	Filing	135	8.0	1,080.00	-	-	-	-	-	-	8.0	1,080.00
<b>Total</b>			<b>782.00</b>	<b>\$ 200,000.00</b>	<b>88.00</b>	<b>\$ 23,890.00</b>	<b>412.00</b>	<b>\$ 105,340.00</b>	<b>122.00</b>	<b>\$ 30,590.00</b>	<b>160.00</b>	<b>\$ 40,180.00</b>

Please note that the above is an estimate only. If costs exceed the estimate, we will advise creditors accordingly and seek further approval.

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

At the 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 \$151,190.50 (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 \$20,000.00 (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 \$200,000.00 (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. D3 disbursements are charged at cost except for photocopying, printing and telephone calls which are charged at a rate which is intended to recoup both variable and fixed costs.

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

Disbursements	Charges (Excluding GST)
Postage	At cost
Telephone	At cost
Photocopying	35 cents per copy
Facsimile	\$1.00 per page
File Set Up	At cost
Advertising	At cost
Storage – Per Box	At cost
Storage – Per File	At cost
Couriers	At cost

Disbursements incurred by the Administrators for the period 16 May 2010 to 31 July 2010 are set out below for the Company. As at the date of this report, no disbursements have yet been drawn.

Cost Code	Charge
Fax	11.00
Meals	132.54
Photocopying	140.70
Postage	1,741.27



Printing	842.45
Search	39.00
Taxis and Parking	580.69
Telephone	487.20
Travelling	46.44
Wages	3,162.58
<b>Total</b>	<b>7,183.87</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.

## B2 Summary of Receipts and Payments for the period 16 May 2010 to 30 June 2010

Receipts and Payments	Amount (\$)
<b>Receipts</b>	
Transfer from Pre-Appointment	738,315
Bank Interest	126
Annual Management Fees	759
Lease Equipment Income	6,550
Debtor Collections	937,249
Other	102,199
	2,522
<b>Total Receipts</b>	<b>1,787,720</b>
<b>Payments</b>	
Bank Charges	(1,935)
Casual Labour	(56,852)
Computer & IT Costs	(9,621)
Contractors	(19,780)
Employee Reimbursements	(2,199)
Freight	(38,001)
Meeting Costs	(1,555)
Insurance	(3,551)
PAYG Withheld	1,031
Investec Bank	(897,891)
Repairs and Maintenance	(1,166)
Sundry	(200)
Wages & Salaries	(25,003)
Other	(136,278)
<b>Total Payments</b>	<b>(1,192,999)</b>
<b>Balance per Cash Book 30 June 2010</b>	<b>\$594,721</b>

## B3 Other creditor information on remuneration

The partners of Ferrier Hodgson WA 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.

Queries regarding remuneration should be directed to either Geoff Webb or Sarah Grove of this office.

Dated this 9th day of August 2010.

A handwritten signature in black ink, appearing to read 'Martin Jones', with a large, sweeping flourish underneath.

**Martin Jones**

Joint and Several Administrator of  
Rewards Management Pty Ltd

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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**

**CORPORATIONS ACT 2001**

Section 436DA(2)

**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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## **The Group Overview and Background**

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.

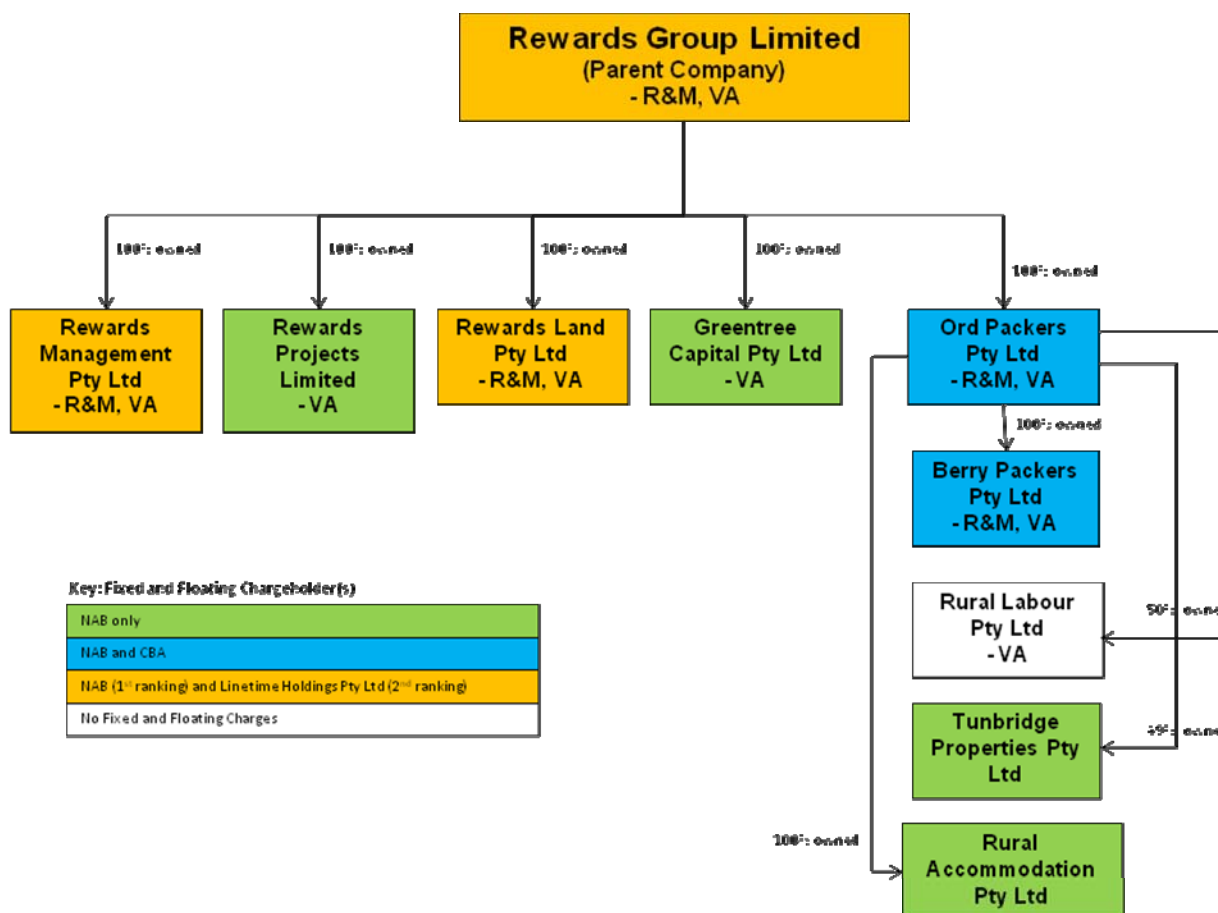
Our role as Joint and Several Administrators of the Group is to control the Group's businesses, properties and affairs to the extent that same are not within the R&M's control, with a view to facilitating the execution of a Deed of Company Arrangement (DOCA) to reorganise the Group's affairs in the event 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:

- a) Maximises the chances of the company, or as much as possible of its business, continuing in existence; or
- b) 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).

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# **Annexure 5**

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## **List of Trade Creditors**

**Rewards Management Pty Ltd (R&M Appointed) (Administration Appointment)**

**Listing Of Trade Creditors – 16 May 2010**

<b>Creditor</b>	<b>Amount (\$)</b>
A & R ENGINEERING	1,856
A B STEEL SUPPLIES	294
A GIUMELLI & SONS	2,785
AAAM TRANSPORT	263
ACCESS ANALYTIC	627
ACCIDENTAL HEALTH & SAFETY	917
ADP EMPLOYER SERVICES	569
AG LASER & GPS PTY LTD	1,422
AGL SALES (QUEENSLAND ELECTRICITY) P/L	17,332
AGPARTS WAREHOUSE PTY LTD	785
AGVITA ANALYTICAL PTY LTD	143
AIM HIRE	5,522
ALLBUSH PTY LTD	74,906
ALLGEAR MOTORCYCLES & SMALL ENGINES	657
ALPER HARVESTING CONTRACTORS PL	60,276
ALZINO & CO PTY LTD	8,411
AMERICAN EXPRESS ANDREW RADOMILJAC	15,450
AMERICAN EXPRESS CRAIG ANDERSON	37,008
AMERICAN EXPRESS JOHN KENNY	60
ANDERSON CRAIG	7,266
ANSARADA PTY LTD	2,844
AQUASPY GROUP PTY LTD	660
ARGONAUT CAPITAL LIMITED	1,013
ARGYLE ENGINEERING	762
ARGYLE MOTORS	572
AUSFUEL	796
AUSTRALIA POST	3,728
AUSTRALIAN AIR EXPRESS PTY LTD	360
AUSTRALIAN FOREST GROWERS	1,900
AUSTRALIAN RED CROSS	336
AUTO ONE KUNUNURRA	868
Avenue Capital Management Ltd	8,800
AVI NEWS	835
BACHOS ELECTRICS	297
BANDICOOT NURSERY	439
BASHI'S AUTO ELECTRICS	543
BASSENDAN TECHNICAL SERVICE	480
BDO Kendalls Wealth Management (VIC) PL	9,680
BEKKERS	56,911
BELL PERSONNEL PTY LTD	14,004
BERRY PACKERS PTY LTD	443,467
BGA AGRI SERVICES	98,609
BIO WORKS	482
BLACK BROS ELECTRICAL & GAS	237
BLACK-TRAC	386
BLAZEMASTER	330
BLENNERS TRANSPORT PTY LTD	1,056
BOC LIMITED	816
BRANDED	3,406
BRUNO'S MAREEBA BATTERIES	78
BSO DEVELOPMENT CONSULTANTS	1,000
BUNNINGS GROUP LIMITED (101002)	15

BUNNINGS GROUP LIMITED (380598)	403
C & S JOLLY ELECTRICS	1,066
CABCHARGE AUSTRALIA LIMITED	3,249
CABOOLTURE FASTENERS	30
CABOOLTURE TYRE CENTRE	1,675
CALTEX ENERGY QLD	2,697
CARMODY R & F	9,900
CASSOWARY COAST REGIONAL COUNCIL	238,871
CENTRACKS MACHINERY	2,280
CHAMBER OF COMMERCE & INDUSTRY QLD	645
CHARM CITY AUTO ELECTRICS	2,107
CHATFIELD'S TREE NURSERY	30,310
CHEMICALS DIRECT PTY LTD	35,835
CHEP AUSTRALIA	16,033
CHILDERS AUTO SPARES	139
CITY PROVISIONS	62
CJR SOLUTIONS	1,650
CLC PRODUCE	98,108
CMP RECRUITMENT SPECIALIST	6,645
COMMISSIONER OF STATE REVENUE	136,024
COMMISSIONER OF STATE REVENUE - NSW	3,165
COMMISSIONER OF STATE REVENUE - QLD	37,689
COMMISSIONER OF STATE REVENUE - VICTORIA	11,287
COMMISSIONER OF STATE REVENUE WA	143,711
COOL CLEAR WATER GROUP LTD	248
COPELAND WORKPLACE LAW	396
COPYWORLD TOSHIBA	2,181
CORRONE JIM	1,212
CRAFT RENTAL & HARDWARE	1,119
CUNNINGHAMS AG SERVICES	3,386
D & D TRANSPORT	1,485
D B ENGINEERING	320
DAC REFRIGERATION PTY LTD	52,691
DANDARAGAN MECHANICAL SERVICES	1,228
DANDARAGAN STORE	345
DAVEY TYRE & BATTERY SERVICE	6,079
DEPUTY COMMISSIONER OF TAXATION	2,601
DERRICK'S AUTO-AG	1,181
DEVITA'S AUTO ELECTRICS	936
DI MAURO S & C & S A	627
DIMBULAH MOTORS	561
DIRECT FUEL SUPPLIES (WA) PTY LTD	2,662
DISTRICT HIRE & SALES P/L	158
DOMAINES & VINEYARDS PTY LTD	660
DRONOW CONTRACTING PTY LTD	787
DUN & BRADSTREET (AUSTRALIA) PTY LTD	1,833
E E MUIR & SONS PTY LTD	132,735
EAST KIMBERLEY HARDWARE	863
EAST KIMBERLEY MOTORS (WA) PTY LTD	6,474
ELDER HEIGHTS PTY LTD	1,760
ELDERS LTD	396,924
ELECTRICAL SYSTEMS ENGINEERING PTY LTD	3,448
EQUINOX FISHING CHARTERS (NT) PTY LTD	1,276
ERGON ENERGY	5,808
ERNST & YOUNG	145,630
EUREKA TRADING COMPANY PTY LTD	7,379
EVERGREEN SUSTAINABLE INDUSTRIES PL	2,200
EXPERT 1 PTY LTD	3,750
FARMLINK RURAL SERVICE	184,262
FAST FREDDIES TYRE SERVICE	210

FASTA COURIERS & TAXI TRUCKS	287
FEDEX EXPRESS	1,090
FORREST NURSERY PTY LTD	506,699
FRANK LOWE & SONS	1,740
FREEHILLS	18,692
FRONTIER CHIPPING PTY LTD	9,944
G & N GALLO CONTRACTING PTY LTD	75,729
GEMINI MEDICAL SERVICES	216
GENDORE TRACTORS & MACHINERY PTY LTD	547
GEO H O'DONNELL	361
GEOFF GODLEY & ASSOCIATES	2,035
GEOFF RICHARDS REFRIGERATED TRANSPORT	38,731
GLASSHOUSE DESIGN & MANUFACTURING	6,540
GLENMAC SALES & SERVICE PTY LTD	1,437
GLOBAL REWARDS PTY LTD	3,948
GP GRADERS	4,101
GRANITE ENGINEERING PTY LTD	268
GREENLINE AG PTY LTD	453
GREG POMFRET PLUMBING	106
GRIDLINE HOLDINGS PTY LTD	154,710
GROOM DAVID	2,238
GROWCOM AUSTRALIA	930
GYPSUM INDUSTRIES OF AUSTRALIA	941
HARCOURTS CENTRAL MIDLANDS RE	910
HARDWARE PLUS	507
HARDY BOWEN	8,808
HEWLETT PACKARD AUSTRALIA PTY LTD	37,337
HORIZON BUSINESS SYSTEMS PTY LTD	3,278
HORIZON POWER	12,920
HORTICULTURE AUSTRALIA LIMITED	116,318
HYDROTECH MONITORING P/L	41
I KATCHER EVENTS	10,701
IFCO HIRE & SALES PTY LTD	1,379
IMIGRATE AUSTRALIA PTY LTD	7,744
INFORMATIX PTY LTD	627
INGHAM FARM CENTRE PTY LTD	5,183
INTERCOAST REFRIGERATED TRANSPORT PTY LT	52,284
IPM TECHNOLOGIES PTY LTD	1,287
ISIS HARDWARE & IRRIGATION	173
ISIS TYRE SERVICE	1,174
ISLAND COAST RADIATOR & WINDSCREENS	282
J & S ASPHALT PTY LTD	1,400
J BLACKWOOD & SON	32
J J RICHARDS & SONS PTY LTD	2,314
JAMES ANNE HOLDINGS PTY LTD	27,733
JATCAF PTY LTD	4,400
JL HUNTER CONSULTING PTY LTD	22,000
JN CONTRACTORS PTY LTD	63,686
JOHN BEATTIE & SON	1,528
JOHN CHIVERS & ASSOCIATES PTY LTD	6,270
JOHN PAGE MOTORS PTY LTD	1,290
JONES LANG LASALLE	104,118
JONROSS HOLDINGS PTY LTD	14,564
JR & LM TRACKSON	1,056
JSW HOLDINGS PTY LTD	453
K & A MACHINERY SERVICES	13,888
K P M G	174,699
KELLO AGRON	596
KIMBERLEY COMMUNICATIONS	139
KIMBERLEY MARKETING	77

KIMBERLEY PRODUCE	96,256
KIMBERLEY SUNRISE PTY LTD	327,555
KIMBERLEY WASTE SERVICES	1,320
KINGAROY EQUIPMENT SALES	1,653
KUNUNURRA PLUMBING & GAS FITTING	149
L W CROP SERVICES PTY LTD	6,807
LANDCARE SERVICES	715,900
LANDMARK OPERATIONS LIMITED	11,216
LANTZKE NEIL	208
LASER ELECTRICAL BERWICK	11,801
LEWIS MOTORS	635
LEWIS TYRES PTY LTD	33
LINDSAY RURAL PTY LTD	51,324
Links Hope Island Limited	375
LONG POCKET EARTHMOVING P/L	2,288
MACFARLANE GENERATORS P/L	796
MACQUARIE EQUIPMENT RENTALS PTY LTD	1,333
MACSPRED AUSTRALIA	46,748
MAINSPRAY	19,329
MANJIMUP TOYOTA & MITSUBISHI	576
MANJIMUP TRADING CO	105
MANJIMUP TYRE MART	2,343
MAREEBA MOWER & CAMPING P/L	120
MARTIN JONKERS MOTORS	239
MCCAYS SOUTHWEST STORES	265
MCCULLOUGH ROBERTSON	1,040
MCPMAHON CLARKE LEGAL	27,934
METE'S HEDGE TRIMMERS	24,998
MICHAEL PAGE INTERNATIONAL (AUST) P/L	24,793
MIDALIA STEEL MOORA	76
MIKE STREET'S AUTO PARTS P/L	131
MINTER ELLISON	87,518
MIRIWinni LIME PTY LTD	31,489
MISSION BEACH TISSUE CULTURE NURSERY	132,074
MIZZI ENTERPRISES	4,049
MOBILE HOSEFIXERS CABOOLTURE	142
MONBULK NEWSAGENCY	695
MORAYFIELD LOCKSMITHS PTY LTD	157
MORETON BAY REGIONAL COUNCIL	2,646
MORTON'S EARTHMOVING	649
MT ROMANCE AUSTRALIA PTY LTD	2,363
MURRAY COLVIN SOLICITOR	44,550
NARROGIN AUTO ELECTRICS	882
NATIONWIDE RECORDS MANAGEMENT	2,583
NATRAKELP	13,493
NEV'S STEEL	61
NEW MOUNTAIN SANDALWOOD PTY LTD	1,626
NGIS AUSTRALIA PTY LTD	20,556
NICHIYU FORKLIFTS AUST PTY LTD	285
NISSAN KESTEL HARFORD	4,663
NORTH END FERTILIZING	10,225
NORTHERN SUPPLIERS	110
NQ AGRICULTURAL SUPPLIES P/L	1,797
NUTRI-BLEND BIO	129,399
OFFICE NATIONAL BOORAGOON	17
OFFICE NATIONAL KUNUNURRA	214
OFFICE NATIONAL WEST PERTH	66
OFFICE TOOLS OPD	8,879
ON SITE RENTALS PTY LTD	2,579
ONSITE RENTALS DINKUM DUNNIES P/L	2,651

ORD FUEL SUPPLIES PTY LTD	21,302
ORD IRRIGATION ASSET MUTUAL CO-OPERATIVE	6,836
ORD IRRIGATION CO-OPERATIVE	9,933
ORD MACHINING	633
ORD ORCHARDS LAND UNIT TRUST NO 1	501,006
ORD PACKERS PTY LTD	1,479,381
ORD RIVER DISTRICT CO-OPERATIVE	60,681
OXY REPAIR	531
PAGE GABRIELLE	908
PARNELL FAMILY ENTERPRISES	38,665
PEMBERLEY FARMS	2,420
PEMBERTON GARAGE	141
PEMBERTON HARDWARE PTY LTD	84
PEMBERTON PREMIUM VINEYARDS LAND U/T NO1	128,870
PERRELLA STEEL FABRICATION	88
PERTH CITY MILK SUPPLY	210
PETROGAS PTY LTD	7,863
PHYTONOVA PTY LTD	21,860
PINESE SILVANO	1,684
PINGELLY CONTRACTING	5,950
PKF CORPORATE ADVISORY SERVICES (WA) P/L Plan 2 Pty Ltd	17,188
	-
PLANET CREATIVE SERVICES P/L	43,175
PLANTATION SOLUTIONS PTY LTD	60,201
POOLHAVEN PTY LTD	64,995
POSITIVE BATTERIES PTY LTD	259
QUEENSLAND TRANSPORT	324
R & M MCGRUDDY	2,200
R J HIBBENS PTY LTD	1,277
RAINFOREST ALLIANCE	5,559
RAMM BOTANICALS PTY LTD	228,142
RED 11 PTY LTD	13,559
REECE PTY LTD	343
RELIANCE PETROLEUM	5,371
RELIANCE PETROLEUM	3,902
RENA'S CAFE	300
REPOS LANDCARE	34,260
ROMANO SHANENE	8,039
ROSE SCOTT	768
ROYAL WOLF TRADING AUST PTY LTD	1,188
RUDGE PRODUCE SYSTEMS	1,108
RURAL ACCOMMODATION PTY LTD	300
RURAL LABOUR PTY LTD	570,549
SALMAT BUSINESSFORCE PTY LTD	3,281
SAMPSON STEWART	720
SEEK LIMITED	198
SERRA SAM	109
SERVCORP VIRTUAL OFFICE	507
SEVILLE TIMBER & HARDWARE	93
SEVILLE TRACTORS PTY LTD	1,236
SGS AUSTRALIA PTY LTD	1,741
SHARP IMPRESSIONS	4,503
SHAW'S DARWIN TRANSPORT PTY LTD	15,400
SHIRE OF MANJIMUP	27
SIGNATURE SECURITY GROUP P/L	967
SL & LACHLAN & CRAIG DOBSON FAMILY TRUST	125,731
SOMMERS FUEL SUPPLIES	2,774
SPECIALTY AGRICULTURAL SERVICES	2,406
STANS MACHINERY	4,196

STEINPREIS PAGANIN	6,963
STEVE ROBERTS SLASHING	1,760
SUENA MANGOES CONSULTING PTY LTD	15,305
SUNGOLD DISTRIBUTORS PTY LTD	11,913
SUNWATER	6,864
SUPAGAS PTY LTD	810
SUTHERN EARTHMOVING PTY LTD	33,397
SYNERGY	7,736
SYNOVATE PTY LTD	5,500
SYSTEMS OF LANDCARE	7,535
TABLELAND HONDA	613
TELSTRA CORPORATION LTD	46,909
TGT PTY LTD	8,196
THE ARK FUND LIMITED	5,218,698
THE CHAIR DOCTOR WA PTY LTD	160
THE PUMP HOUSE	135,105
THE SANDALWOOD SANCTUARY	2,882
THINKWATER KUNUNURRA	1,060
TOLL EXPRESS	38,532
TOOLANGI STRAWBERRY RUNNER GROWERS CO-OP	189,395
TOP PRUNE	42,783
TOTAL EDEN WATERING SYSTEMS P/L	29,250
TREETEC CONSULTING PTY LTD	22,000
TRU ENERGY	2,775
TUNBRIDGE PROPERTIES PTY LTD	431,399
TWELVE THIRTY FLORIST	124
TWIN VIEW TURF PTY LTD	275
TYREPOWER MAREEBA	307
ULIEL INVESTMENTS PTE LTD	95,116
UNITED EQUIPMENT PTY LTD	4,381
URI TRADING PTY LTD	64,364
VANDERFIELD PTY LTD	20,481
VEDA ADVANTAGE	1,062
VEOLIA ENVIRONMENTAL SERVICES	1,053
VERONA CAPITAL PTY LTD	165,000
VIC ROADS	73
VINCENT JASON	7,306
VOHLAND G A & J G	772
W A WEBB & CO	554
W R & F M RAE & SON	2,323
WADE P L & J K	31,925
WALTONS T&H STORES P/L T/A WALTONS MOORA	1,342
WAMURAN CO-OP LTD	27,845
WANLESS ENVIRO SERVICES PTY LTD	1,219
WARREN DISTRICT TRANSPORT P/L	1,540
WATER CORPORATION	9,013
WATER DYNAMICS	519,806
WESTERN RECYCLING PTY LTD	1,019
WESTMINSTER INSURANCE BROKERS	1,164
WILLIAMS ESTATE	459
WILLOUGHBY JONATHAN	14,850
WOORI YALLOCK AUTO PARTS	31
WOORI YALLOCK FOODWORKS	1,198
WORKCOVER QUEENSLAND	24,760
WORMALD	1,978
YARRA VALLEY QUARRIES	20,121
YARRA VALLEY SEPTIC TANK CLEANING PL	870
YMA CONSULTING	1,254
YOUR OFFICE CHOICE	1,183
<b>Total</b>	<b>\$16,877,192</b>

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# **Annexure 6**

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## **RGAG Letter of Intention to Propose a DOCA**

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