

## PERTH

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9 August 2010

**ORD PACKERS PTY LTD ACN 106 363 964**  
**BERRY PACKERS PTY LTD ACN 125 068 911**  
**RURAL LABOUR PTY LTD ACN 130 732 786**  
**GREENTREE CAPITAL PTY LTD ACN 093 209 173**  
*Formerly QPR Capital Finance Pty Ltd*  
**(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.

Affiliated through  
Zolfo Cooper  
and  
Kroll Worldwide  
UNITED STATES  
UNITED KINGDOM

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.

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 9.00am (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 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, Western Australia at 9.00am (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 45 business days.

**(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.
- (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  
Ord Packers Pty Ltd  
Berry Packers Pty Ltd  
Rural Labour Pty Ltd  
Greentree Capital Pty Ltd

Encl.

FORM 529A

Paragraph 5.6.12(2)

CORPORATIONS ACT 2001

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

**ORD PACKERS PTY LTD ACN 106 363 964  
BERRY PACKERS PTY LTD ACN 125 068 911  
RURAL LABOUR PTY LTD ACN 130 732 786  
GREENTREE CAPITAL PTY LTD ACN 093 209 173  
*Formerly QPR Capital Finance Pty Ltd***

**(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 9.00am (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 interest.

**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 45 business days
  - (b) That the company be wound up
  - (c) That the company execute a Deed of Company Arrangement
  - (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  
Ord Packers Pty Ltd  
Berry Packers Pty Ltd  
Rural Labour Pty Ltd  
Greentree Capital Pty Ltd

**INFORMAL PROOF OF DEBT FORM FOR CREDITORS**

Regulation 5.6.47

**ORD PACKERS PTY LTD ACN 106 363 964**  
**BERRY PACKERS PTY LTD ACN 125 068 911**  
**RURAL LABOUR PTY LTD ACN 130 732 786**  
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*Formerly QPR Capital Finance Pty Ltd*  
**(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	✓
*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 (Formerly QPR Capital Finance Pty Ltd)	093 209 173	
*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)

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**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.

**ORD PACKERS PTY LTD ACN 106 363 964  
 BERRY PACKERS PTY LTD ACN 125 068 911  
 RURAL LABOUR PTY LTD ACN 130 732 786  
 GREENTREE CAPITAL PTY LTD ACN 093 209 173  
 Formerly QPR Capital Finance Pty Ltd  
 (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 company per Proxy form

Company Name	ACN	✓
*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 (Formerly QPR Capital Finance Pty Ltd)	093 209 173	

\*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 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.

**RURAL LABOUR PTY LTD  
(Administrators Appointed)  
ACN 130 732 786**

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

**Martin Jones**

**Andrew Saker**

**Darren Weaver**

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

I:\RURAL LABOUR PTY LTD\439A\RLAB VA-F-132 LMC.DOC

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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)
Company / Rural Labour	Rural Labour Pty Ltd (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 (Formerly QPR Capital Finance Pty Ltd) (Administrators Appointed)
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)
R&M	Receivers and Managers
Rewards Group / the Group	RGL, RLPL, RMPL, OPPL, BPPL, RPL, GCPL and the Company
RGAG	Rewards Growers Advocacy Group Incorporated
RGL	Rewards Group Limited (Receivers and Managers Appointed) (Administrators Appointed)
RLPL	Rewards Land Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed)
RMPL	Rewards Management Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed)
RPL	Rewards Projects Limited (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>	Ordinary Unsecured Creditors Listing
<b>Annexure 5</b>	Ordinary Unsecured Creditors Listing
<b>Annexure 6</b>	RGAG Letter of Intention to Propose a DOCA

## 1. Executive summary

We advise that on 16 May 2010 Darren Weaver, Andrew Saker and Martin Jones were appointed as Joint and Several Administrators of the Company, pursuant to Section 436A of the Act. Immediately following our appointment, we took control of the Company's assets and continued to carry on the Company's business. A summary of the Group entities, the respective roles, and the Group's strengths and weaknesses is included as **Annexure 4**.

Creditors ratified our appointment as Administrators at the concurrent meetings of creditors of the Rewards Group which were held on 26 May 2010. A Committee of Creditors was not formed for the Company at this meeting.

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 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.

Investigations undertaken are detailed in section 6 of this report. The main issues arising from these investigations are:

- The potential preference payment made to the ATO in relation to February 2010 income activity statement.
- The failure to discharge the Company's employee entitlement obligations.

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 RMPL, a related-party debtor to whom the company contracted its services. Accordingly, for the reasons set out in this report, **we recommend that creditors resolve to adjourn the second meeting of creditors for a period not exceeding forty-five (45) business days**. In the event that creditors adopt that course, the Administrators will continue to engage with RGAG with a view to a restructure of the Company, compile a supplementary report to creditors 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, Andrew Saker, Darren Weaver and Martin Jones were appointed as Joint and Several Administrators of the Company on 16 May 2010, pursuant to Section 436A of the Act.

Pursuant to section 435A of the Act, the objective of the appointment of Administrators to a company is to maximise the chances of the company, or as much of its business as may be possible, continuing in existence, or if not possible, to seek a better return to creditors and members than would result from an immediate winding up of the company.

During the administration period, creditors' claims and legal actions are put on hold and we are required to provide creditors with information and recommendations to assist creditors to decide upon the company's future.

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

- (a) *A report by the Administrator about the company's business, property, affairs and financial circumstances; and*
- (b) *A statement setting out the Administrator's opinion about each of the following matters:*
  - (i) *Whether it would be in the creditors' interests for the company to execute a Deed of Company Arrangement;*
  - (ii) *Whether it would be in the creditors' interest for the administration to end;*
  - (iii) *Whether it would be in the creditors' interest for the company to be wound up;*

*and also setting out:*

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

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

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

Creditors attended concurrent meetings of creditors of the Rewards Group which were held at the Perth Convention and Exhibition Centre on Wednesday, 26 May 2010 and ratified our appointment as Administrators of the Company. Creditors resolved not to appoint a Committee of Creditors.

## 2.3 Second meeting of creditors

On 10 June 2010 the Committees of Creditors (for the Group) endorsed an application 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.

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 St, PERTH WA at 9 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 45 business days if creditors so desire in order to provide further time to address any outstanding issues or uncertainties.

## 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 includes:

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

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

## 2.5 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 differing 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 through it did declare a number of relevant relationships. We were not aware of any reasons that would prevent us from accepting this appointment nor that would prevent us from continuing those appointments today. A copy of an updated DIRRI is attached at **Annexure 3**.

## 3. Company information

### 3.1 Statutory information

A search of the ASIC database revealed the following information.

#### 3.1.1 Incorporation date and registered office

The Company's incorporation date is 21 April 2008 and it's registered office is listed as c/- PKF Chartered Accountants, Level 7, 28 The Esplanade, Perth, Western Australia.

#### 3.1.2 Company officers

The Company's officers for the past 12 months were:

Name	Position	Appointment Date	Cessation Date
Craig Stephen Anderson	Director	21 April 2008	Current
Andrew Michael Radomiljac	Director	21 April 2008	Current
John Damian Kenny	Director	21 April 2008	Current
Ross Engel	Director/Secretary	21 April 2008	22 November 2009

For completeness, we note that under section 204A(1) of the Act, a proprietary company is not required to have a company secretary.

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

#### 3.1.3 Shareholders

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

Shareholder	Shares Held	% of Shares Held
OPPL	200	50.00
JDK Nominees Pty Ltd	100	25.00
Ross Engel	100	25.00
<b>Total Shares on Issue</b>	<b>400</b>	<b>100.00</b>

### 3.1.4 Registered chargeholder

As at the date of our appointment, there were no charges registered against Rural Labour.

### 3.1.5 Winding up applications

There have been no winding-up applications against Rural Labour.

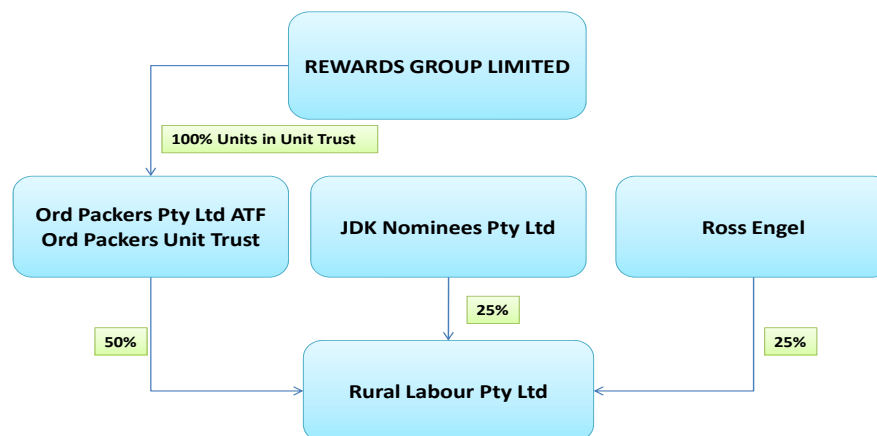
## 3.2 Company history

Incorporated on 21 April 2008 in Western Australia, the Company commenced trading on this same day from the premises at Ground Floor, 50 Colin Street, West Perth.

The Company operated a labour hire business which complemented the Groups operations. It contracted casual labour to the following related entities:

1. BPPL in Victoria and Queensland.
2. OPPL in Western Australia and Queensland.
3. RMPL and RPL in Western Australia and Queensland.

The Company's structure is set out diagrammatically below:



From the diagram above, we note the following:

1. RGL is the ultimate holding company of OPPL by way of its ownership of the units in the Ord Packers Unit Trust. OPPL in turns owns 50% of the shares in Rural Labour.
2. JDK Nominees Pty Ltd ACN 118 156 693 is a director-related entity whose sole director is Mr John Kenny and owns 25% of the shares in Rural Labour.
3. The remaining 25% of shares in Rural Labour is owned by Mr Ross Engel.

A summary of the Group entities, the respective roles, and the Group's strengths and weaknesses is included as **Annexure 4**.

## 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 Groups financial position and the lack of immediate funding alternatives available 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 on the causes of failure of the Company.

## **4. Historical financial information**

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

The Company's financial statements were prepared up to 30 June 2009. PKF Chartered Accountants provided a compilation report that accompanied the financial statements, however, as the Company was not considered to be a disclosing entity, it was not required to have the statements audited.

According to the information provided to us by the directors in the directors' Statement, the Company also prepared various management accounts and reports on a quarterly basis.

At section 7 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 financial years and as at the date of our appointment, together with our preliminary analysis.

Profit and Loss Summary	Notes	30 June 2008 \$	30 June 2009 \$	16 May 2010 \$
<b>Revenue</b>				
Interest Received		233	908	75
Labour Hire		96,125	3,489,765	7,003,297
Payroll Rent		Nil	89,103	156,472
Payroll Travel		Nil	15,324	18,169
Miscellaneous Income		Nil	710	826
<b>Total Revenue</b>		<b>96,358</b>	<b>3,595,810</b>	<b>7,178,840</b>
<b>Expenses</b>				
Accountancy Fees	4.2(g)	Nil	5,651	46,256
Advertising		365	1,054	(61)
Amortisation		130	210	
Bank Charges		21	533	605
Gardening & Lawn mowing		Nil	168	
Contract Expenses	4.2(a)	Nil	108,088	167,711
Consultancy Fees		2,131	Nil	7,547
Depreciation		87	4,283	
Filing Fees		Nil	212	212
Insurance	4.2(c)	4,544	41,886	195,992
Interest Paid		Nil	282	33
Motor Vehicle Expenses		Nil	5,040	12,087
Payroll Tax	4.2(d)	Nil	131,186	314,918
Office Expenses	4.2(b)	577	28,914	10,497
Contract Labour – Superannuation	4.2(e)	7,068	251,831	514,918
Travelling Expenses		Nil	6,360	11,074
Accommodation Expenses		Nil	9,461	8,217
Contract Labour Hire – Wages	4.2(f)	82,902	2,884,102	5,837,614
Rural Recharge Account		Nil	59,028	
<b>Total Expenses</b>		<b>97,825</b>	<b>3,538,289</b>	<b>7,127,620</b>
<b>Operating Profit/(Loss) before Tax</b>		<b>(1,467)</b>	<b>57,521</b>	<b>51,220</b>
Tax (expense)/income		(1,680)	(15,136)	(453)
<b>Net Operating Profit/(Loss) after Tax</b>		<b>\$(3,147)</b>	<b>\$42,385</b>	<b>\$50,767</b>

(a) A detailed breakdown of **contract expenses** is detailed below:

Contract Expenses	30 June 2008 \$	30 June 2009 \$	16 May 2010 \$
Contract Labour Travel	Nil	889	85
Contract Labour Rent	Nil	107,199	167,626
<b>Total Contract Expenses</b>	<b>\$-</b>	<b>\$108,088</b>	<b>\$167,711</b>

**Contract labour rent** and **contract labour travel** consists of accommodation and transport expenses for operational staff contracted to clients.

(b) A detailed breakdown of **office expenses** is detailed below:

Office Expenses	30 June 2008	30 June 2009	16 May 2010
	\$	\$	\$
Office Supplies	577	1,795	1,192
Office Rent	Nil	12,000	Nil
Printing	Nil	1,008	Nil
Postage	Nil	210	118
Computer Expenses	Nil	7,023	930
Electricity	Nil	550	609
Telephone	Nil	1,185	1,427
Repairs & Maintenance	Nil	3,629	2,018
Staff Amenities	Nil	222	
Sundry Expenses	Nil	1,292	4,204
<b>Total Office Expenses</b>	<b>\$577</b>	<b>\$28,914</b>	<b>\$10,497</b>

**Office rent** was payable at the end of each financial year to Rewards Management services for the use of the Rewards Group offices. **IT expenses** were in relation to maintenance of the MYOB Enterprise software and other sundry costs. These were incurred from the end of July 2008.

- (c) **Insurance** consists of payments for workers compensation, work cover, public liability and motor vehicle insurance for the Company.
- (d) **Payroll tax** consists of the Company's payroll tax obligations for both the contracted operation staff and head office employees.
- (e) **Contract labour – superannuation** consists of the Company's superannuation obligation to all contract operational staff.
- (f) **Contract labour hire – wages** consists of the payment of wages for all contract operation staff and the reimbursement, where appropriate, to related entities for services incurred by the Company's staff.
- (g) **Accountancy fees** relate to the engagement of the professional services of PKF Chartered Accountants.

Due to the increase in operational size by OPPL and BPPL from 2008 to 2009, the Company required additional contract labour to meet the demand by the Reward Group. This caused an increase in both the revenue and expenses generated by their sales providing for a profit for the year ended 30 June 2009.

For completeness, we note that the accounts above for the are based upon unaudited accounts as prepared by PKF Chartered Accountants and as extracted from the Company's MYOB Enterprise system. Accordingly, we express no comment in relation to the accuracy thereof.

### 4.3 Balance sheet and preliminary analysis

A summary of the Company's balance sheet for the past two financial years and at the date of our appointment are set out below together with my preliminary analysis:

Balance Sheet	Notes	30 June 2008 \$	30 June 2009 \$	16 May 2010 \$
<b>Current Assets</b>				
Cash and cash equivalents	4.3(a)	20,887	400	1,937
Accounts receivables	4.3(b)	54,205	151,477	1,540,173
Other	4.3(c)	288	3,964	3,964
<b>Total Current Assets</b>		<b>75,380</b>	<b>155,841</b>	<b>1,546,074</b>
<b>Current Liabilities</b>				
Accounts Payable	4.3(d)	43,708	121,108	1,317,539
Borrowings	4.3(i)	Nil	4,379	Nil
Provisions	4.3(e)	1,680	33,246	171,680
<b>Total Current Liabilities</b>		<b>45,388</b>	<b>158,733</b>	<b>1,489,219</b>
<b>Non-Current Assets</b>				
Property, plant and equipment	4.3(f)	1,741	41,819	42,619
Intangibles	4.3(g)	520	710	710
<b>Total Non-Current Assets</b>		<b>2,261</b>	<b>42,529</b>	<b>43,329</b>
<b>Non-Current Liabilities</b>				
Borrowings from RMPL	4.3(h)	35,000	Nil	Nil
<b>Total Non-Current Liabilities</b>		<b>35,000</b>	<b>Nil</b>	<b>Nil</b>
<b>Net Assets</b>		<b>(2,747)</b>	<b>39,637</b>	<b>100,184</b>
<b>Equity</b>				
Issued capital		400	400	400
Retained profits		(3,147)	39,237	99,784
<b>Total Equity</b>		<b>\$(2,747)</b>	<b>\$39,637</b>	<b>\$100,184</b>

(a) **Cash and cash equivalents** consists of cash on hand of \$400 and a nil balance in the operating account held with ANZ. As at the date of our appointment, the total cash at bank was \$2,460.23 which was the remaining balance after the receipt of amounts owed by trade debtors and payment of operating expenses.

(b) A detailed breakdown of **accounts receivables** are tabled below:

Accounts receivable	30 June 2008 \$	30 June 2009 \$	16 May 2010 \$
Trade debtors	54,205	150,157	1,538,853
Deposits paid	Nil	1,320	1,320
<b>Total</b>	<b>\$54,205</b>	<b>\$151,477</b>	<b>\$1,540,173</b>

**Trade debtors** relate to amount owed by related entities of the Rewards Group. **Deposits paid** consist of amounts paid to secure accommodation and travel for contract operation labour for Kumbia and Dandaragan. As at the date of our appointment, **trade debtors** increased to \$1,348,853 with almost 100% being entities of the Rewards Group and \$190,000 worth of intercompany loans to BPPL and Rural Accommodation Pty Ltd.

(c) **Other** consists of prepayments.

(d) A detailed of **accounts payable** is tabled below:

Accounts payable	30 June 2008	30 June 2009	16 May 2010
	\$	\$	\$
Sundry creditors	350	Nil	Nil
Trade creditors	34,480	59,940	83,695
Superannuation payable			204,052
PAYG			389,869
Related entity trade creditor			30,936
Input tax credits	(734)	(5,506)	Nil
GST payable	9,612	66,824	609,136
GST adjustment	Nil	(150)	(150)
<b>Total</b>	<b>\$43,708</b>	<b>\$121,108</b>	<b>\$1,317,539</b>

External trade creditors account for approximately 6% of the total amount owed by the Company, with statutory obligations owed by the Company accounting for approximately 76% of total accounts payable.

(e) A detailed breakdown of **provisions** is tabled below:

Provisions	30 June 2008	30 June 2009	16 May 2010
	\$	\$	\$
Provisions for Payroll Tax	Nil	18,110	171,680
Provisions for Income Tax	1,680	15,136	Nil
<b>Total</b>	<b>\$1,680</b>	<b>\$33,246</b>	<b>\$171,680</b>

The provision for payroll tax as at the date of our appointment for the 2009/2010 year was \$153,569.

(f) **Property, plant and equipment** can be broken down as follows:

Property, plant and equipment	30 June 2008	30 June 2009	16 May 2010
	\$	\$	\$
Motor vehicles	Nil	34,450	34,450
Less: accumulated depreciation	Nil	(3,487)	(3,487)
	<b>Nil</b>	<b>30,963</b>	<b>30,963</b>
Office furniture & equipment	1,828	2,589	2,589
Less: accumulated depreciation	(87)	(883)	(883)
	<b>1,741</b>	<b>1,706</b>	<b>1,706</b>
Website Design	Nil	9,150	9,950
<b>Total</b>	<b>\$1,741</b>	<b>\$41,819</b>	<b>\$42,619</b>

Motor vehicles consist of a bus purchased on 1 October 2008 for cash in the amount of \$18,450 for Kumbia operations, fuel and the purchase of a bus for Dandaragan operations for cash in the amount of \$15,000. Office furniture and equipment was purchased on 25 May 2008 for cash in the amount of \$2,589.28.

(g) **Intangibles** consist of expenses incurred during the formation of the Company.

(h) **Borrowings from RMPL** related to an intercompany loan that was paid in full on 17 July 2008.

(i) **Borrowings** consist of the overdraft on the operating ANZ account.

The directors have indicated that the causes of failure related to the solvency of the Rewards Group, see section 5.2 for further details. As almost 100% of the trade debtors are considered to be insolvent, the Company is unlikely to recover the amounts owed in full. With the lack of funds available to the Company, it will be unable to discharge its current obligations.

For completeness, we note that the accounts above for the are based upon unaudited accounts as prepared by PKF Chartered Accountants and as extracted from the Company's MYOB Enterprise system. Accordingly, we express no comment in relation to the accuracy thereof.

## 5. Statement by directors

### 5.1 Summary

Section 438B of the Act requires the directors to give an Administrator a statement about the Company's business, property, affairs and financial circumstances. We received the directors' Statement on 1 June 2010.

In the Statement, the directors detailed the Company's assets and liabilities at cost or book value.

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>			
Interest in land	5.1.1	N/A	N/A
Sundry debtors	5.1.2	1,444,661	Unascertained
Cash on hand	5.1.3	400	Nil
Cash at bank	5.1.3	2,460	2,460
Stock on hand	5.1.4	N/A	N/A
Work in progress	5.1.5	N/A	N/A
Plant & equipment	5.1.6	Unascertained	Unascertained
Motor vehicles	5.1.7	N/A	14,000
Other assets	5.1.8	Unascertained	760
<b>Sub-total</b>		<b>1,447,522</b>	<b>Unascertained</b>
Assets subject to specific charges	5.1.9	N/A	N/A
Less amounts owing under charges		N/A	N/A
<b>Total Available Assets</b>		<b>1,447,522</b>	<b>Unascertained</b>
<b>Liabilities:</b>			
Less: Priority creditors			
- Employee entitlements	5.1.11	(Nil)	(208,145)
- Secured creditors	5.1.12	N/A	N/A
- Partly secured creditors	5.1.13	N/A	N/A
<b>Total Priority Creditors</b>		<b>(Nil)</b>	<b>(208,145)</b>
<b>Available to Unsecured Creditors</b>		<b>1,447,522</b>	<b>Unascertained</b>
Ordinary unsecured creditor claims	5.1.14	(1,382,937)	(1,489,219)
<b>Estimated Surplus/(Deficiency)</b>		<b>\$64,585</b>	<b>Unascertained</b>

The estimated realisable values set out above are based on the directors' Statement and the Company's books and records and are not necessarily endorsed by the Administrators. The Administrators have not audited the Company's records or the directors' Statement. The Administrators have provided estimated realisable values 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 a number of realisable values are based on the Company's records and remain subject to the review of the Administrators and, in particular:

- The Administrators are not in a position to confirm (or otherwise) the estimated realisable values (ERV) as the Administrators have not commissioned any valuations.

- The value of creditor claims remains subject to change as further claims may be received and require adjudication.
- The abovementioned estimated position does not provide for possible trading losses, capital costs or the professional costs associated with the Administration process.

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

### 5.1.1 Interest in land

A property search indicates that the Company does not currently own any real property.

### 5.1.2 Sundry debtors

The directors' Statement has disclosed sundry debtors to total \$1,447,661

Our review of sundry debtors has disclosed that they relate to amounts due by entities in the Rewards Group. The Company's debtors' ledger as at 16 May 2010 totalled \$1,338,030. An 'aged' analysis follows.

Sundry Debtors	Current \$	30 Day \$	60 Days \$	90+ Days \$	Total \$
BPPL	50,233	171,940	101,770	53,550	377,492
OPPL	53,384	45,433	51,591	152,400	302,807
RMPL	224,591	152,786	219,095	71,349	667,821
Rural Accommodation Pty Ltd	733	Nil	Nil	Nil	733
<b>Total</b>	<b>\$328,940</b>	<b>\$370,158</b>	<b>\$372,456</b>	<b>\$277,299</b>	<b>\$1,348,853</b>
Percentage of Total	24.39	27.44	27.61	20.56	100.00

In addition to the trade debtors above, there were two intercompany loans as follows:

Intercompany Loans	Amount \$
BPPL	181,000
Rural Accommodation Pty Ltd	9,000
<b>Total Intercompany Loans</b>	<b>\$190,000</b>

We note that:

- There have been no debts collected since our appointment.
- The majority of the amounts owed to the Company relates to debt owing by related-entities which are also under external administration (other than Rural Accommodation Pty Ltd). 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. We are not aware of any arrangements being in place for collection of same to be deferred.
- 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)).

### 5.1.3 Cash on hand and cash at bank

Immediately upon our appointment we issued instructions to the Company'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 \$2,047 was held in the Company's bank account at the date of our appointment, of which was transferred to the Administrators' new account.

We also note that the directors' Statement discloses that cash on hand of \$400 as at the date of my appointment. This amount was not recovered however we note that the amount is minimal and is likely to have been expended on minor purchases.

#### 5.1.4 Stock

The Company's records did not reveal any stock.

#### 5.1.5 Work in progress

The Company's records did not reveal any work in progress.

#### 5.1.6 Plant and equipment

The directors' Statement discloses plant and equipment to be various items of office equipment, however the statement did not ascribe a value to it.

#### 5.1.7 Motor vehicles

The director's Statement did not reveal that the Company owned any motor vehicles, however a search conducted with the Department of Planning and Infrastructure (WA) and a review of the records reveals that the Company has the following vehicles registered in its name:

Description	Market value for existing use \$	Auction value \$
1991 Toyota Coaster Mini-bus Reg 936 BFJ	11,000	6,000
1998 Toyota Coaster Mini-bus Reg 1-AEK-005	14,000	8,000

For the purposes of this report, we estimate that the realisable value of these vehicles to be approximately \$14,000.

#### 5.1.8 Other assets

The director's Statement indicates there have been some prepayment and deposits paid, however we have not been provided with the details.

A review of the Company's records indicates that the Company previously paid a deposit to secure rental accommodation for operations at Kumbia and Dandaragan. We estimate that recoveries from this deposit to be approximately \$760.

#### 5.1.9 Assets subject to specific charges

The director's Statement discloses that there are no assets subject to a specific charge, nor are we aware of any assets that are subject to specific charges.

#### 5.1.10 Employee claims

The directors' Statement discloses that there are no priority employee claims, however it should be noted that there were several employees, whom have been terminated since the date of our appointment, who may have entitlements owed to them. We are also aware that there are amounts outstanding for superannuation which was not remitted to the employees' superannuation funds.

In this regard, we estimate that the priority debts owed to employees are as follows:

<b>Employee Entitlements (Estimate only)</b>	<b>Amount \$</b>
Wages and Expenses	Nil
Superannuation	200,145
Annual Leave	Nil
Long Service Leave	Nil
Pay in Lieu of Notice	4,000
Redundancy	4,000
<b>Total</b>	<b>\$208,145</b>

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

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.

The notice (payment in lieu) and redundancy entitlements are contingent, such that they will only crystallise upon the termination of the employment and, in the case of the notice entitlement, the amount of the obligation depends to what extent that notice period is worked out by the relevant employee. The nature and terms of the engagement are to be further investigated.

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.

We advise that we intend making an application to the General Employee Entitlements & Redundancy Scheme ("GEERS") to ensure that the employee entitlements are paid promptly, and not subject to any unforeseen delays that may occur in settling the affairs of the business. Please be advised however, that this process can take up to sixteen (16) weeks.

#### **5.1.11 Secured creditors**

There are no secured creditors with registered charges against either the Company or any assets held by the Company.

#### **5.1.12 Partly secured creditors**

The director's statement discloses that there are no partly secured creditors.

### 5.1.13 Ordinary unsecured creditors

Accounting for informal proofs of debt received to date and the Company's records, we estimate the Company's liability to unsecured creditors at \$1,489,219 as follows:

Unsecured Creditors	Amount \$
Trade Creditors	83,695
ATO	389,869
Superannuation Funds	204,052
Rural Accommodation	26,409
RMPL	4,528
GST Liabilities	608,986
Provision for Payroll Tax	171,680
<b>Total Unsecured Creditors</b>	<b>\$1,489,219</b>

With regards to the amounts owing to related parties, our preliminary view is that the Company owes the amounts claimed, however we note that further reconciliation of these amounts will be required in order that they be admitted to rank for dividends.

Our review of the directors' Statement has indicated that amounts owing to superannuation funds have been included in ordinary unsecured creditors. It should be noted, however, that amounts owing to superannuation funds are afforded as a priority under the Act.

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.

A complete list of ordinary unsecured creditors (as extracted from the records of the Company) is attached at **Annexure 5**. We note that these amounts are subject to the receipt and adjudication of final proofs of debt from creditors.

### 5.1.14 Omissions from Statement

Save for my previous comments regarding specific disclosures in the Statement, there are no material omissions from the directors' Statement.

## 5.2 Explanation for current financial position

The directors' explanation for the Company's current financial position is that the effects of the Groups' Parent Company entering into Administration were detrimental to Rural Labour.

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

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

- Poor day to day operations management especially with respect to managing outstanding debtors.
- Lack of adequate working capital.

## 6. Trading by Administrators

### 6.1 Overview

The Administrators assumed control of the business upon appointment and continued the Company's labour hire business (albeit at a minimal scale) with activities limited to securing labour to either perform maintenance work (i.e pruning, fertilising and weeding) or to complete certain work in progress (i.e finishing packing activities or fruit picking).

Appropriate controls and systems were put in place in respect of cash/banking, purchase orders, stock control and reporting.

We have yet to account for the sales revenue 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.

### 6.2 Summary of receipts and payments

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

## 7. Statutory investigations

### 7.1 Nature and scope of review

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

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

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

A liquidator may recover funds from each type of transaction detailed in the Creditor Information Sheet described in **Annexure 2** of this report. A deed administrator does not have recourse to these voidable transactions. A liquidator may also recover funds through other avenues; for example, through action seeking compensation for insolvent trading or breach of director duties.

An administrator is not obliged to carry out investigations to the same extent as a liquidator. A liquidator may require many months of investigation and conduct public examinations before forming a concluded view on recovery action. We investigated matters to the extent possible in the time available and have noted with specific reference below where 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.
- 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 registration organisations.
- An examination of the Company's books and records including its financial statements and management accounts (to the extent that such were made available to us).

## 7.2 The Company's solvency

### 7.2.1 Overview

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

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

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

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

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

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

- The degree of illiquidity. A temporary lack of liquidity is not conclusive;
- Regard should be had to:
  - Cash resources.
  - 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.

- It is not appropriate to base an assessment of whether a company can meet its liabilities as and when they fall due on the prospect that a company might trade profitably in the future.

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

## 7.2.2 Preliminary determination

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

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

The Company operated one (1) bank account with the ANZ. As at the date of our appointment, this bank account contained \$2,048.

A review of the transactions in the operating account for the period 1 July 2009 to the date of our appointment indicates that the account was mostly kept in "good standing".

### Aged payables review

The table below sets out an analysis of the aged payables as at 16 May 2010 and 30 June 2009:

Historical Aged Trade Creditor Ageing	Current \$	30 Days \$	60 Days \$	90+ Days \$	Total \$
Trade creditors as at <b>16 May 2010</b>	24,272	9,891	7,646	41,886	83,695
Percentage of total	29.00	11.82	9.14	50.05	100.00
Trade creditors as at <b>30 June 2009</b>	324	0.00	6,743	0.00	7,067
Percentage of total	4.59	0.00	95.41	0.00	100.00

We comment on the above analysis as follows:

- The ageing of trade creditors as at the date of our appointment indicates that there were significant long overdue balances, indicating that the Company were unable to meet their obligations.
- We were unable to obtain pre-appointment aged creditor balances. The Rewards Group only prepared consolidated monthly management accounts, potentially masking certain solvency issues within the individual entities.
- Further, our review indicates that creditors have not taken formal action against the Company. However, it is our understanding that the Company entered into a payment arrangement with the ATO on or around 26 March 2010.
- Since November 2009, the Company has invoiced related-party debtors for a full amount of the invoice, however it has only in some instances received partial payments of its invoices to meet creditor accounts. We are not aware of any arrangements being in place which facilitate deferred payment of such accounts. For further details on this matter please refer to section 7.5.2 of this report.

## Profitability, Cashflow and Working Capital

The working capital position of the Company as at 16 May 2010, 30 June 2009 and 30 June 2008 is as follows:

Working Capital	As at 16 May 2010 \$	As at 30 June 2009 \$	As at 30 June 2008 \$
Total current assets	1,546,074	155,841	75,380
Total current liabilities	(1,489,219)	(158,733)	(77,641)
<b>Working Capital Surplus/(Deficit)</b>	<b>56,855</b>	<b>(2,892)</b>	<b>(2,261)</b>
Less: Related Party Receivable	(1,538,853)	(150,157)	(54,205)
<b>Working Capital Excl Rel Parties</b>	<b>(1,481,998)</b>	<b>(153,049)</b>	<b>\$(56,466)</b>
<b>Net Operating Profit/(Loss)</b>	<b>\$45,464</b>	<b>\$42,385</b>	<b>\$(3,147)</b>

The working capital analysis above shows a positive net working capital, however \$1,338,030 of the current assets consists of related party trade debtors which, at this time, are unlikely to be realised for their full value.

We have also considered the working capital position of the Company for the same period excluding the related trade debtors as summarised above.

As shown from our review, there was no positive working capital from 30 June 2008 and there was a deficiency position as at the date of our appointment.

It has been noted in the Rewards Group consolidated financial statements for the year ended 30 June 2009 that services provided by the Company to the Rewards Group was done so under normal commercial terms and conditions as reviewed by the Rewards Projects Compliance Committee and the Board.

For completeness, we reviewed the working capital position as at 30 September 2009, 31 December 2009 and as at the date of our appointment, as shown below:

Working Capital	As at 16 May 2010 \$	As at 31 Dec 2009 \$	As at 30 Sept 2009 \$
Total current assets	1,546,074	1,197,563	566,725
Total current liabilities	(1,489,219)	(1,088,852)	(580,664)
<b>Working Capital</b>	<b>56,855</b>	<b>108,712</b>	<b>(13,938)</b>
Less: Related Party Receivable	(1,538,853)	(1,247,706)	(620,604)
<b>Working Capital Excl Rel Parties</b>	<b>(1,481,998)</b>	<b>(1,138,955)</b>	<b>(634,543)</b>
<b>Net Operating Profit/(Loss)</b>	<b>\$50,767</b>	<b>\$88,980</b>	<b>\$(26,129)</b>

Our review indicated an increase in current assets due to a significant increase in trade debtors during the period 30 September 2009 and 31 December 2009 with no improvement in the cash balances. This is further supported by the increased negative working capital position during this period. We have identified that the Company had issues recovering debt from its debtors whilst incurring additional operational expenses in meeting their clients' needs.

## Net Assets

A review of the net assets of the Company as at 16 May 2010, 30 June 2009 and 30 June 2008 is as follows:

<b>Net Assets</b>	<b>As at 16 May 2010</b>	<b>As at 30 June 2009</b>	<b>As at 30 June 2008</b>
	\$	\$	\$
Total assets	1,578,580	198,370	77,641
Total liabilities	1,489,219	(158,733)	(80,388)
<b>Net Assets</b>	<b>\$89,361</b>	<b>\$39,637</b>	<b>\$(2,747)</b>

The tabled review above indicates that the Company had a positive net asset position from 30 June 2009 to the date of our appointment. For the year ended 30 June 2008, the Company had a negative net asset position due to an intercompany loan to RMPL in the amount of \$35,000 which was repaid on the 17 July 2008.

It should be noted that the total assets above include amounts due from related trade debtors, as shown in the working capital calculations, the realisation of which is very uncertain.

### **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:

<b>Statutory Commitments</b>	<b>As at 16 May 2010</b>
	\$
PAYG liability	389,869
GST liability	608,986
Superannuation contributions	204,052
<b>Total Statutory Commitments</b>	<b>\$1,202,907</b>

#### *Superannuation*

At the date of writing this report, the ATO had not yet calculated the SGC applicable on the outstanding superannuation contributions.

The SGC is calculated at 10% per annum on the outstanding contribution, \$20 per employee per quarter administration fee and any superannuation guarantee shortfall. There may also be general interest charges in the late payment and lodgement of the SGC.

#### *GST and PAYG*

At the date of our appointment, the Company's records indicate that approximately \$998,855 is owed to the ATO in respect of outstanding GST and PAYG obligations for the period 1 December 2009 to 16 May 2010.

#### *Payroll Tax*

At the date of our appointment, the Company's records indicate that approximately \$162,887 is owed in respect of outstanding payroll tax obligations for the period 1 December 2009 to 16 May 2010 as shown below:

Payroll Tax	As at 16 May 2010
	\$
Queensland Government Treasury	65,429
State Revenue Office – Vic	66,338
Office of State Revenue – WA	31,120
<b>Total Payroll Tax Obligations</b>	<b>\$162,887</b>

### *Preliminary View of Insolvency*

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

Analysis	Likely Date of Insolvent
Review of the Company's bank facilities	N/A
Aged Payable Review	December 2009
Finance Commitment Review	N/A
Profitability	N/A
Working Capital	September 2009
Net Assets	December 2009
Statutory Commitments	December 2009

**Based on the above analysis, it is our preliminary view that the Company was insolvent as early as 1 December 2009.**

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

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

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

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

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

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

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

### **7.3.1 Unfair preferences**

Our preliminary investigations into the Company's affairs reveal that the payment to the ATO in the amount of \$63,911 on 20 April 2010 for February 2010 income activity statement may be voidable as unfair preference.

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.
- 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.
- 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.
  - A reasonable person in that person's circumstances would have had no such grounds for so suspecting.
  - 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.

For the purposes of this report, we estimate potential recoveries from unfair preferences at between Nil and \$63,911. 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.

### **7.3.2 Uncommercial transactions**

Our preliminary investigations do not disclose any transactions of an uncommercial nature which may lead to recoveries by a liquidator in the event that the Company is wound up. We do note however that a liquidator would be required to conduct further investigations in respect of transaction of this nature before determining whether it may result in recoveries for the benefit of creditors.

### **7.3.3 Unfair loans**

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

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

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

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

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

### **7.3.6 Voidable charges**

Our investigations do not disclose any charges that may be voidable by a liquidator.

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

### **7.4.1 Director liability**

Based on our analysis at Section 7.2.2 of this report, we indicated it was probable that the Company was insolvent from as early as 1 December 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 the 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 7.8 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).

Presently, it is our view that an insolvent trading action would not be commercially viable in that the likely realisations in a liquidation would be nil.

## **7.5 Other potential liquidator recoveries**

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

Sections 180, 181, 182 and 183 of the Corporations 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.
- To avoid improper use of specific information that has been obtained through the directors' work with the company to gain directly or indirectly an advantage.

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

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

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

Based on our investigations to date, it would seem that since November 2009, the Company has invoiced related-party debtors for a full amount of the services rendered, however it has only in some instances received partial payments of its invoices. Further investigations will be required to conclude if the actions of the directors would construe a contravention of Part 5.8A of the Act (in particular sections 596AA and 596AB).

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

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

We are unable to estimate with certainty what the likely amount of recovery from a contravention of Part 5.8A, neither is there a guarantee that a liquidator will recover funds or that costs ultimately dissipate the benefit to creditors. However, if a liquidator were appointed, they would perform further work and investigation in respect of this area before concluding on the availability of any recoveries for the benefit of creditors.

## **7.6 Other matters arising from investigations**

After our review of the books and records of the Company, there are a number of transactions that may warrant investigation by a liquidator having regard to the frequent number of transactions in the operating bank for the same value account which do not appear to have appropriate descriptions.

## 7.7 Summary of potential liquidator recoveries

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

Potential Recovery Item	High \$	Low \$
Unfair preferences	63,911	Nil
Uncommercial transactions	Unascertained	Nil
Unfair loans	N/A	N/A
Unreasonable director related transactions	Unascertained	Nil
Transactions undertaken to obstruct creditors' rights	N/A	N/A
Compensation from director for insolvent trading	Unascertained	Nil
Compensation from holding company for insolvent trading	N/A	N/A
Breaches of directors duties	Unascertained	Nil
Avoidance of employee entitlements	Unascertained	Nil
<b>Total</b>	<b>\$63,911</b>	<b>\$Nil</b>

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

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

Our preliminary investigations 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.

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

## 7.9 Report to ASIC

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

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

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

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

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

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

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

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

### 8.1 Administration to end

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

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

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

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

### 8.2 Winding up of Company

Given the nature, size and costs involved in determining 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.

Employees may be entitled to claim their entitlements (other than superannuation) under the Federal Government's GEERS. Accordingly, for those few employees with entitlements outstanding other than superannuation may prefer a timely winding up in order that GEERS may be accessed sooner.

The costs of winding up the Company's affairs are estimated at \$100,000 (excl GST), though these costs would be considerably higher in the event that the potential claims referred to above at Section 7 of this report are pursued.

### 8.3 Adjournment of Meeting

In view of the funding arrangement with RGAG noted at section 2.3 and a letter (see **Annexure 6**) 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:

- 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 \$40,000, 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 ordinary unsecured 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 ordinary unsecured creditors and to employees interested to receive previously unpaid superannuation. 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.

## 9. Administrators' opinion

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

From the information set out in sections 5 and 8.2 of this report, we are unable to estimate the likely return to creditors should the Company be wound up immediately, though we note there is a real possibility that the return will be nil. Accordingly, based upon the above, it is our opinion that creditors

should resolve to adjourn the second meeting of creditors for a period not exceeding forty-five (45) business days.

## **10. Administrators' remuneration report**

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

## **11. Further queries**

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

In the meantime, should creditors have any queries, please do not hesitate to contact Lauren McCann 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 at the end.

**Martin Jones**  
Joint and Several Administrator

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# **Annexure 1**

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## **Administrators' Remuneration Report**



## CORPORATIONS ACT 2001

Section 449E

### RURAL LABOUR PTY LTD (ADMINISTRATORS APPOINTED) (THE COMPANY) ACN 130 732 786

#### 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 of 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 \$26,690.50 (exclusive of GST).

<b>Assets</b> 0.7 hours \$177.50	Plant and equipment	<ul style="list-style-type: none"> <li>▪ Liaising with valuers and auctioneers</li> <li>▪ Reviewing asset listings</li> </ul>
	Debtors	<ul style="list-style-type: none"> <li>▪ Reviewing and assessing debtors ledgers</li> </ul>
	Other assets	<ul style="list-style-type: none"> <li>▪ Tasks associated with realising other assets</li> </ul>
<b>Creditors</b> 39.3 hours \$9,216.50	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Receive and follow up creditor enquiries via telephone and email</li> <li>▪ Maintaining creditor enquiry register</li> <li>▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post</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 (in Western Australia, Victoria and Queensland) 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>
	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>
<b>Administration</b> 56.9 hours \$11,077.00	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ First month 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 in particular Workers Compensation cover.</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>
<b>Investigation</b> 1.1 Hours \$313.50	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>
<b>Investigation cont.</b>	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>
	Conducting investigation	<ul style="list-style-type: none"> <li>▪ Collection of the company's books and records</li> <li>▪ Reconstruction of financial statements</li> <li>▪ Reviewing company's books and records/seek Directors' Statement about the company's business, property affairs and financial circumstances.</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>▪ Preparation of investigation file</li> </ul>
<b>Employees 30.3 hours \$5,906.00</b>	Litigation / Recoveries	<ul style="list-style-type: none"> <li>▪ Liaising with solicitors regarding various matters</li> </ul>
	Employee enquiries	<ul style="list-style-type: none"> <li>▪ Receive and follow up employee enquiries via telephone</li> <li>▪ Maintain employee enquiry register</li> <li>▪ Review and prepare correspondence to employees and their representatives via facsimile, email and post</li> <li>▪ Preparation of letters to employees advising of their entitlements and options available</li> <li>▪ Receive and prepare correspondence in response to employees objections to leave entitlements</li> </ul>
	Calculation of entitlements	<ul style="list-style-type: none"> <li>▪ Calculating employee entitlements</li> <li>▪ Reviewing employee files and company's books and records</li> <li>▪ Reconciling superannuation accounts</li> <li>▪ Reviewing awards</li> </ul>
	Workers compensation claims	<ul style="list-style-type: none"> <li>▪ Review insurance policies</li> <li>▪ Receipt of claim</li> <li>▪ Liaising with insurers and solicitors regarding claims</li> <li>▪ Identification of potential issues requiring attention of insurance specialists</li> <li>▪ Correspondence with Willis regarding initial and ongoing workers compensation insurance requirements</li> <li>▪ Correspondence with previous brokers</li> </ul>
	Other employee issues	<ul style="list-style-type: none"> <li>▪ Correspondence with Child Support</li> <li>▪ Correspondence with Centrelink</li> <li>▪ Arranging the preparation of PAYG Payment Summaries for employees.</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	Charge Rate (\$)	Total		Assets		Creditors		Investigation		Administration		Employees	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Malcolm Field	Senior Manager	390	1.2	468.00	-	-	0.1	39.00	-	-	0.7	273.00	0.4	156.00
Kieran Chu	Supervisor	285	21.3	6,070.50	0.3	85.50	5.0	1,425.00	1.1	313.50	8.3	2,365.50	6.6	1,881.00
Shannon Coleman	Senior 1	255	0.9	229.50	-	-	-	-	-	-	0.9	229.50	-	-
Sandra Gauci	Senior 2	230	4.9	1,127.00	0.4	92.00	-	-	-	-	1.1	253.00	3.4	782.00
Jamie Gunnis	Senior 2	230	1.4	322.00	-	-	0.6	138.00	-	-	0.8	184.00	-	-
Derek Kier	Senior 2	230	9.6	2,208.00	-	-	5.1	1,173.00	-	-	3.2	736.00	1.3	299.00
Geoff Webb	Senior 2	230	5.6	1,288.00	-	-	-	-	-	-	4.8	1,104.00	0.8	184.00
Sean Holmes	Senior 2	230	0.6	138.00	-	-	-	-	-	-	0.6	138.00	-	-
Lauren McCann	Senior 2	230	31.8	7,314.00	-	-	26.9	6,187.00	-	-	4.5	1,035.00	0.4	92.00
Adrian De Menna	Intermediate 1	185	0.3	55.50	-	-	-	-	-	-	0.3	55.50	-	-
Sam Wilson	Intermediate 1	185	0.5	92.50	-	-	-	-	-	-	-	-	0.5	92.50
Alex Godfrey	Intermediate 2	160	1.5	240.00	-	-	1.3	208.00	-	-	0.2	32.00	-	-
Charlie Linfoot	Intermediate 2	155	2.3	356.50	-	-	-	-	-	-	2.0	310.00	0.3	46.50
Penny Vetten	Intermediate 2	155	17.4	2,697.00	-	-	0.3	46.50	-	-	16.5	2,557.50	0.6	93.00
Melissa Kroon	Secretary	150	1.0	150.00	-	-	-	-	-	-	1.0	150.00	-	-
Jacqui Westwood	Secretary	150	1.7	255.00	-	-	-	-	-	-	1.7	255.00	-	-
Jessica Hoskins	Receptionist	150	13.0	1,950.00	-	-	-	-	-	-	3.0	450.00	10.0	1,500.00
Kate Martin	Clerk	130	5.4	702.00	-	-	-	-	-	-	5.4	702.00	-	-
Dorothy Radisich	Filing	130	1.5	195.00	-	-	-	-	-	-	1.5	195.00	-	-
Melissa Ross	Filing	130	0.4	52.00	-	-	-	-	-	-	0.4	52.00	-	-
Evelyn Gray	Office Assistant	130	6.0	780.00	-	-	-	-	-	-	-	-	6.0	780.00
<b>Total</b>			<b>128.3</b>	<b>\$26,690.50</b>	<b>0.7</b>	<b>\$177.50</b>	<b>39.3</b>	<b>\$9,216.50</b>	<b>1.1</b>	<b>\$313.50</b>	<b>56.9</b>	<b>\$11,077.00</b>	<b>30.3</b>	<b>\$5,906.00</b>



**A3 Schedule of anticipated tasks and Administrators' estimated prospective remuneration 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 (exclusive of GST).

<b>Assets</b> <b>7 Hours</b> <b>\$1,645.00</b>	Other assets	<ul style="list-style-type: none"> <li>▪ Tasks associated with realising other assets</li> </ul>
<b>Creditors</b> <b>36 hours</b> <b>\$8,385.00</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Receive and follow up creditor enquiries via telephone and email</li> <li>▪ Maintaining creditor enquiry register</li> <li>▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post</li> </ul>
	Creditor reports/circulars	<ul style="list-style-type: none"> <li>▪ Preparing report to creditors pursuant to section 439A of the Act</li> </ul>
<b>Investigations</b> <b>15 Hours</b> <b>\$3,375.00</b>	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>
	Conducting investigation	<ul style="list-style-type: none"> <li>▪ Collection of company books and records</li> <li>▪ Reconstruction of financial statements</li> <li>▪ Reviewing company's books and records and Directors'</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>
	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>
	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>
<b>Administration</b> <b>26 hours</b> <b>\$5,975.00</b>	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>
	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>▪ 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>▪ 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>
	Employee enquiries	<ul style="list-style-type: none"> <li>▪ Receive and follow up employee enquiries via telephone</li> <li>▪ Maintain employee enquiry register</li> <li>▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Preparation of letters to employees advising of their entitlements and options available</li> <li>▪ Receive and prepare correspondence</li> </ul>
	GEERS	<ul style="list-style-type: none"> <li>▪ Correspondence with GEERS</li> </ul>
<b>Employees 5.0 hours \$1,250.00</b>	Calculation of entitlements	<ul style="list-style-type: none"> <li>▪ Calculating employee entitlements</li> <li>▪ Reviewing employee files and company's books and records</li> <li>▪ Reconciling superannuation accounts</li> <li>▪ Reviewing awards</li> <li>▪ Liaising with solicitors regarding entitlements</li> </ul>
	Workers compensation claims	<ul style="list-style-type: none"> <li>▪ Review insurance policies</li> <li>▪ Liaising with insurers and solicitors regarding claims</li> <li>▪ Identification of potential issues requiring attention of insurance specialists</li> <li>▪ Correspondence with Willis regarding initial and ongoing workers compensation insurance requirements</li> <li>▪ Correspondence with previous brokers</li> </ul>
	Other employee issues	<ul style="list-style-type: none"> <li>▪ Correspondence with Child Support</li> <li>▪ Correspondence with Centrelink</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 (\$)	Total		Assets		Creditors		Investigation		Administration		Employees	
			Hours	\$	Hours	\$	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	-	-	-	-	1.0	400.00	1.0	400.00	1.0	400.00
Kieran Chu	Supervisor	295	11.0	3,245.00	-	-	5.0	1,475.00	1.0	295.00	4.0	1,180.00	1.0	295.00
Sandra Gauci	Senior 2	235	8.0	1,880.00	2.0	470.00	3.0	705.00	-	-	2.0	470.00	1.0	235.00
Jamie Gunnis	Senior 2	235	10.0	2,350.00	-	-	7.0	1,645.00	2.0	470.00	1.0	235.00	-	-
Geoff Webb	Senior 2	235	12.0	2,820.00	2.0	470.00	4.0	940.00	2.0	470.00	4.0	940.00	-	-
Lauren McCann	Senior 2	235	20.0	4,700.00	3.0	705.00	12.0	2,820.00	4.0	940.00	3.0	705.00	-	-
Charlie Linfoot	Intermediate 2	160	5.0	800.00	-	-	-	-	3.0	480.00	2.0	320.00	-	-
Alex Godfrey	Intermediate 2	160	4.0	640.00	-	-	3.0	480.00	-	-	1.0	160.00	-	-
Penny Vetten	Intermediate 2	160	5.0	800.00	-	-	2.0	320.00	2.0	320.00	-	-	2.0	320.00
Melissa Kroon	Secretary	155	2.0	310.00	-	-	-	-	-	-	2.0	310.00	-	-
Jacqui Westwood	Secretary	155	2.0	310.00	-	-	-	-	-	-	2.0	310.00	-	-
Kate Martin	Clerk	135	2.0	270.00	-	-	-	-	-	-	2.0	270.00	-	-
Dorothy Radisich	Filing	135	1.0	135.00	-	-	-	-	-	-	1.0	135.00	-	-
<b>Total</b>			<b>86.0</b>	<b>\$20,000.00</b>	<b>7.0</b>	<b>\$1,645.00</b>	<b>36.0</b>	<b>\$8,385.00</b>	<b>15.0</b>	<b>\$3,375.00</b>	<b>26.0</b>	<b>\$5,975.00</b>	<b>5.0</b>	<b>\$1,250.00</b>



**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 \$100,000 (exclusive of GST).

<b>Assets</b> <b>63 hours</b> <b>\$14,625.00</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>
	Debtors	<ul style="list-style-type: none"> <li>▪ Correspondence with debtors</li> <li>▪ Reviewing and assessing debtors ledgers</li> <li>▪ Liaising with debt collectors and solicitors</li> </ul>
	Other assets	<ul style="list-style-type: none"> <li>▪ Tasks associated with realising other assets</li> </ul>
<b>Creditors</b> <b>96 hours</b> <b>\$20,645.00</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>
	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> <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>Investigation</b> <b>109 hours</b> <b>\$25,980.00</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> <li>▪ Liaising with solicitors regarding recovery actions</li> <li>▪ Attending to negotiations</li> <li>▪ Attending to settlement matters</li> </ul>



<b>Investigations cont.</b>	ASIC reporting	<ul style="list-style-type: none"> <li>▪ Preparing statutory investigation reports</li> <li>▪ Liaising with ASIC</li> </ul>	
	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>	
<b>Administration 115 hours \$27,670.00</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>▪ 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>	
	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>	
	Employee enquiries	<ul style="list-style-type: none"> <li>▪ Receive and follow up employee enquiries via telephone</li> <li>▪ Maintain employee enquiry register</li> <li>▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Preparation of letters to employees advising of their entitlements and options available</li> <li>▪ Receive and prepare correspondence in response to employees objections to leave entitlements</li> </ul>	
	<b>Employees 42.25 hours \$10,750.00</b>	GEERS	<ul style="list-style-type: none"> <li>▪ Correspondence with GEERS</li> <li>▪ Distribution of GEERS funds (if any)</li> </ul>
		Calculation of entitlements	<ul style="list-style-type: none"> <li>▪ Calculating employee entitlements</li> <li>▪ Reviewing employee files and company's books and records</li> <li>▪ Reconciling superannuation accounts</li> <li>▪ Reviewing awards</li> <li>▪ Liaising with solicitors regarding entitlements</li> </ul>
		Employee dividend	<ul style="list-style-type: none"> <li>▪ Correspondence with employees regarding dividend</li> <li>▪ Correspondence with ATO regarding SGC proof of debt</li> <li>▪ Calculating dividend rate</li> <li>▪ Preparing dividend file</li> <li>▪ Advertising dividend notice</li> <li>▪ Preparing distribution</li> <li>▪ Receipting POD's</li> <li>▪ Adjudicating POD's</li> <li>▪ Ensuring PAYG is remitted to ATO</li> </ul>



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<b>Employees cont.</b>	Workers compensation claims	<ul style="list-style-type: none"><li>▪ Review insurance policies</li><li>▪ Receipt of claim</li><li>▪ Liaising with claimant</li><li>▪ Liaising with insurers and solicitors regarding claims</li><li>▪ Identification of potential issues requiring attention of insurance specialists</li><li>▪ Correspondence with Willis regarding initial and ongoing workers compensation insurance requirements</li><li>▪ Correspondence with previous brokers</li></ul>
	Other employee issues	<ul style="list-style-type: none"><li>▪ Correspondence with Child Support</li><li>▪ Correspondence with Centrelink</li></ul>

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**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		Employees	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Martin Jones	Partner	540	3.0	1,620.00	-	-	-	-	1.0	540.00	2.0	1,080.00	-	-
Malcolm Field	Senior Manager	400	20.25	8,100.00	-	-	4.0	-	4.0	1,600.00	12.0	4,800.00	2.25	900.00
Kieran Chu	Supervisor	295	80.0	23,600.00	12.0	3,540.00	20.0	5,900.00	15.0	4,425.00	23.0	6,785.00	10.0	2,950.00
Sandra Gauci	Senior 2	235	82.0	19,270.00	24.0	5,640.00	13.0	3,055.00	30.0	7,050.00	5.0	1,175.00	12.0	2,820.00
Jamie Gunnis	Senior 2	235	48.0	11,280.00	2.0	470.00	6.0	1,410.00	20.0	4,700.00	12.0	2,820.00	8.0	1,880.00
Geoff Webb	Senior 2	235	47.0	11,045.00	5.0	1,175.00	12.0	2,820.00	14.0	3,290.00	8.0	1,880.00	8.0	1,880.00
Lauren McCann	Senior 2	235	37.0	8,695.00	8.0	1,880.00	12.0	2,820.00	5.0	1,175.00	12.0	2,820.00	-	-
Charlie Linfoot	Intermediate 2	160	30.0	4,800.00	-	-	9.0	1,440.00	14.0	2,240.00	7.0	1,120.00	-	-
Alex Godfrey	Intermediate 2	160	29.0	4,640.00	-	-	12.0	1,920.00	4.0	640.00	13.0	2,080.00	-	-
Penny Vetten	Intermediate 2	160	27.0	4,320.00	12.0	1,920.00	8.0	1,280.00	2.0	320.00	3.0	480.00	2.0	320.00
Melissa Kroon	Secretary	155	5.0	775.00	-	-	-	-	-	-	5.0	775.00	-	-
Jacqui Westwood	Secretary	155	5.0	775.00	-	-	-	-	-	-	5.0	775.00	-	-
Kate Martin	Clerk	135	4.0	540.00	-	-	-	-	-	-	4.0	540.00	-	-
Dorothy Radisich	Filing	135	4.0	540.00	-	-	-	-	-	-	4.0	540.00	-	-
<b>Total</b>			<b>421.25</b>	<b>\$100,000.00</b>	<b>63.0</b>	<b>\$14,625.00</b>	<b>96.0</b>	<b>\$20,645.00</b>	<b>109.0</b>	<b>\$25,980.00</b>	<b>115.0</b>	<b>\$27,670.00</b>	<b>42.25</b>	<b>\$10,750.00</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 \$26,690.50 (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 (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 \$100,000 (exclusive of GST) and 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 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 to date are shown in the Summary of Receipts and Payments. 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 31 July 2010

Summary of Receipts and Payments		\$
<b>Receipts</b>		
Cash at Bank		2,047.96
Bank Interest		1.94
<b>Total Receipts</b>		<b>\$2,049.90</b>
<b>Payments</b>		
Bank Charges		(65.75)
Insurance (Workers Compensation cover)		(1,710.78)
<b>Total Payments</b>		<b>(\$1,776.53)</b>
<b>Net Receipts / Payments</b>		<b>\$273.37</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 Alex Godfrey or Lauren McCann of this office.

Dated this 9th 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 of  
Rural Labour 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**

**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	Owns 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

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 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.

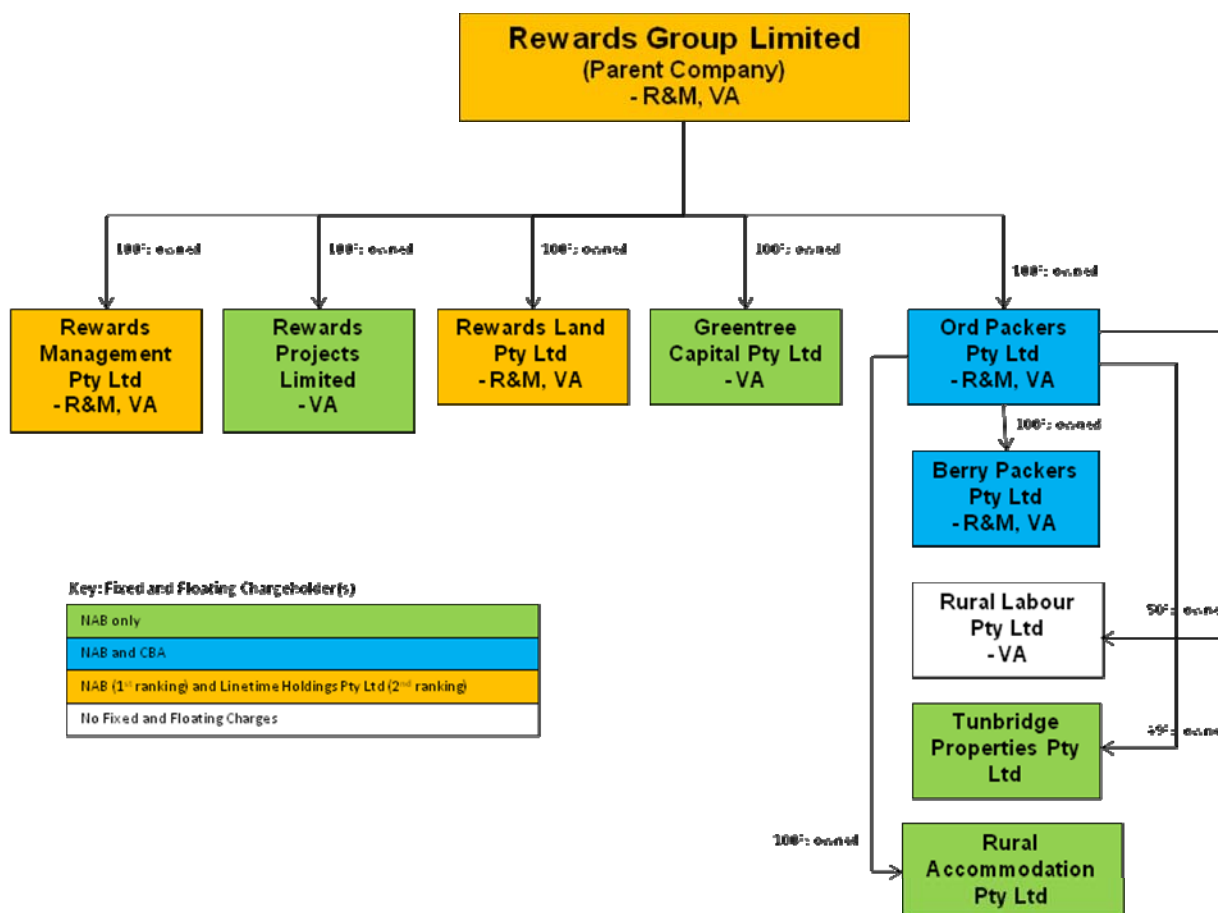
Our role as Joint and Several Administrators of the Group is to control the Group's businesses, properties and affairs to the extent that same are not within the R&M's control, with a view to facilitating the execution of a Deed of Company Arrangement (DOCA) to reorganise the Group's affairs in the event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

**Rural Labour Pty Ltd  
(Administration Appointment)**

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

<b>Trade Creditor</b>	<b>Amount Due \$</b>
ASIC	212
BAM Creative	5,132
Deb&Dave's Lawnmowing and Gardening Service	1,518
Minter Ellison Lawyers	4,574
Office National Caboolture	61
PKF Chartered Accountants and Business Advisors	13,507
QBE Workers Compensation (VIC) Limited	16,661
Redgum Village	9,440
Westminster Broking House	30,091
Yellow Jersey Strategies Pty Ltd	2,500
<b>*Total Trade Creditors</b>	<b>\$83,696</b>

\*Total trade creditors excludes amounts payable to the Australian Taxation Office, superannuation funds and related entities.

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# **Annexure 6**

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**RGAG Intent 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