



From: lindsay stewart [mailto:mediaone@powerup.com.au]
Sent: Thursday, 7 April 2005 8:08 AM
To: Brown, Terry (SEN)
Subject: submission for the government

Please find attached my submission to the Senate Enquiry. I give this to you on the condition that it is under Parliamentary Privilege and that no legal action can be taken by any person or any body for what I have said. If there is any question raised, I need to be contacted immediately.

I am awaiting contact re travel. I would also ask that arrangements be completed for transfers to and from the Airport are included.

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" Management consultancy driving brand and business growth through strategic marketing, planning and implementation "

5th April, 2005

The Senate Enquiry
Finance and Public Administration.
Parliament House
CANBERRA ACT 2600

Good Morning

I write and accept your invitation to attend the Senate enquiry into the funding of a2 Dairy Marketers Pty Ltd in 2004.

As I move forward to give you the information and the truth of the happenings of the application to the grant, let there be no apprehension that from my point of view there were no favours or steps taken by those in Government or relevant bodies in the process of our submission. This is from the view that I applied for the grant.

At this time also, let it be known that there were 5 directors of a2 Dairy Marketers Pty Ltd. Mr Chris Saddler travelled to the northern region of Australia on or about 4 occasions to assist in the process of starting up northern distribution and production of a2 Milk.

Mr Phil Roberts also had cause to be in contact with the government departments on many occasions. He and Chris Saddler met with both sides of parliament.

A2 Dairy Marketers, under my direction, employed Cooe Advertising to do all the media buying and placement. It was here we were informed that we needed a government lobbyist, to allow us to understand the power of the opposition and to be aware of the government interest in our project. As they handled the National Party advertising account, they suggested Mr Ken Crooke. I had never met Ken, and truly believed as a marketing person, his job would be one that I would not get heavily involved with.

Ken made a couple of meetings with both sides of the parliament where we could have coffee and a nice little chat. I understood that a2 Milk would change the face of the industry in Australia, so I didn't believe any politician would put their names on the line to benefit the dairy industry.

Over the months, reports from Ken would tell me how 'the government' were closely monitoring our progress, but to me this was all talk.

Ken made an appointment with Deanne Kelly in the Senate office in Brisbane some time in June. The dates are vague, as my whole diary was on the server as I used my laptop computer system as my daily diary.

We met with Deanne and she understood that we were buying milk from the farmers at sometimes nearly 70% higher than the opposition. At this stage we started talking about the many many farmers leaving the land. She spoke to two advisors in Canberra on the phone and asked directions for government grants.

I remember asking if the government was so interested in helping the farmer, why they wouldn't just scrap the DIAL levy. It made sense to me as all farmers in Australia would benefit.

We were then contacted a few times by government offices in Far North Queensland. We travelled to meet with one of these officials in his office, to find direction with applying for the government grants etc. Mr Saddler was in this meeting. Again the Government representative name escapes me, may have been Tom, however he was in charge of the grants in North Queensland.

We met for a couple of hours and then Chris Saddler and I went to the Qantas Club to fill in the necessary forms which took a few hours. I then faxed them to 'Tom' whilst at the airport

From time to time 'government' would call and ask questions in relation to the figures and how we came to the equations. A few times my figures were wrong, as both sides of the ledger (application) needed to equate.

Back in Brisbane we continued to move forward, but in the back of my mind the grant was not going to happen. The national general election was forthcoming in months and we needed to launch in Adelaide so that was my priority. A few calls asking questions from Michael in the Townsville government office were taken from time to time for qualification on different matters.

I was either contacted personally, through the agency or by Phil Roberts and advised that Ken Crooke had taken a position in Deanne Kelly's office and another company would be taking control of the process of Government Lobbyist for a2 dairy Marketers.

Throughout the process, I never had contact with Deanne Kelly except when we had a public meeting in Cairns for the farmers of the region. This was attended by around 40 people to discuss what impact a2 Milk would have on the region. Questions were aimed at me continually and I believe these were fielded honestly and correctly.

On return from Cairns, I had a phone call from Michael stating he had information that we, (a2), were in discussions with Dairy Farmers about a partnership or Joint Venture.

I became irate and advised him that someone or a company were infiltrating the Government process in the grant system for their benefit and at no time did we or would we have further discussions with them after we received a letter from them stating they would not process our milk. This is the reason we decided to go with the

grant system in the first place. They even used the media to state they would close down their plant which in turn would close down farmers.

Michael said he would look into it. I then contacted our Lobbyist who was instructed to contact the office of the Minister to replay my disgust in the actions of the other company.

I travelled to Adelaide for a period of 7-9 days to launch in the market place, with high success.

On return on the Thursday afternoon, I was met on my floor by Mr Roberts who said that we had been knocked back on the grant of \$1.4 Million, however we were granted \$1.26 million. He had received a letter from the Minister.

I contacted the minister that day or the next day to thank her for her assistance in the process and for understanding the plight of the farmers in the region.

She stated the government would be in contact ASAP with all the relevant processes to move forward.

A2 Dairy Marketers at this time were seeking funding to keep the doors open as there were many deals being completed, which in hindsight, I had not approved or was even advised about.

Mr Roberts and Mr Saddler were talking to New Zealand a2 and it appears they had secured themselves positions with this company whilst they were working for a2 Dairy Marketers. As you will see by my attached receivers report, many of the happenings of a2 Dairy Marketers Pty Ltd and the actions by the mother company a2 Corporation New Zealand need to be investigated by the Government also. A company that does a due diligence on a company with no intention of ever investing, as stated by Mr John Ryall to myself in the car park of a2 Dairy Marketers on the Thursday prior to the closure. This can be verified and confirmed by Ms Natja Gougoulas and Phil Roberts as I instructed Natja to send me an email to confirm my conversation and threat by Mr Ryall. This was also confirmed by a conversation between Mr John Ryall and fellow director in Adelaide, Mr David Giles.

It is funny how the New Zealand Company has used all the information gained to commence a2 Australia (version 2) with all contacts, all marketing concepts and ideas, and the very people whom assisted me in the formalisation of the company. Even to the extent of using the same music and concept in the advertising.

In the happenings of the closure, Mr Phil Roberts through his company Gulf and Western Marketing Pty Ltd owed a2 Dairy Marketers Pty Ltd the amount of over \$60,000. Records show this company ceased to trade on 8th June, 2004. However the ABN number and letterhead were continued in use for invoicing to Coles. This company is now under investigation by the tax department. Mr Roberts believes it is I that has commenced these actions. However I tried to play mediator with the clients his company owes. If the loyalty shown was returned instead of law suits his situation could have been worked out. He placed a charge of over \$150,000 over the a2 Dairy Marketers Pty, the day the receivers were announcing the closure of our office. The receivers know about this as I spoke to Matthew Joiner of Howarth Stevenson

Jefferson on the day of closure. They said it would not stand, however, to date it is still standing. The receivers have in their possession an email from his lawyer's office, Gateway Lawyers, Brisbane, stating to him to back date the contracts.

Mr Chris Saddler owed the company for shares of around \$93,000 and announced at a receivers meeting he was not a director of a2 Dairy Marketers. This seems unbelievable as he had all airfares, meals and accommodation paid for and also voted at all board meetings. He also at this time owed for wages paid to his staff. He then advised the receivers that the staff were employed by a2. This is a direct conflict. His company ACRE also to date owes funds to the company. The receiver's final report is due shortly. All this money will never be received by the creditors as these directors had companies without any assets. And under law they are not responsible.

The funds of the approved grant were to be used in the partnership program with Mungulli Creek Dairy to have a JV processing a2 Milk.

In the coming days after the announcement of the grant, I had a call from Cairns ABC to ask my opinion on why the Government had withdrawn the grant. To date no official notification was ever received.

At the time of the grant we had been taken to court for misleading advertising (using the word Health) under the Qld Government Health Department. It seems likely the forces of The Dairy Industry and its members were used to 'get at a2' for their own benefit.

In the pursuing months prior to the grant we met with The Australian Dairy Board. The aggression shown at this meeting to a new player was not only detrimental to the industry but to the freedom of trade in our country. Remembering at all times this board is funded by the government.

In closing, I do believe that I as the main person dealing with the Government for this grant, all was true and correct and I went about the process with honesty and dignity.

Ms Deanne Kelly was true and professional in the lead up to the announcement of the grant, and when our PR team organised the announcement in Cairns, I can state that the dignity and sincerity she showed was uncompromised.

As I have stated to all the media that has called, I treated the process of this grant as a business process. I believed and still do that the Government wanted to assist the dairy farming industry of Australia and they saw a2 Dairy Marketers as a vehicle to do so. I talk on behalf of myself, when I state that I (a2 Dairy Marketers) saw the benefit in all facets to apply for this grant for the betterment of my company.

I would ask at this time that the points raised in relation to the conduct of a2 Corporation New Zealand and the former Directors be investigated by the Government.

Thanking you

Lindsay Stewart.

REPORT TO MR MATTHEW JOINER

APPOINTED RECEVIER

FOR a2 Dairy Marketers Pty Ltd

1st October, 2004

WITHOUT PRUDJUICE

I table this report as a true and accurate account of the happenings of the journey that a2 Dairy Marketers Pty took from July 2003 til the appointment of the administrators.

Before this is read to you, I would wish for you all to know that I left the building of a2 Dairy Marketers with a couple of hundred dollars in my pocket on Friday after the receivers were appointed, and I will probably lose my house, unit and cars, but I will never loose my dignity.

Because of my involvement with Gulf and Western Pty Ltd, one of the clients Mr Bill Bloomefield was the cousin of a director (international Business Manager) of a2 Corporation New Zealand Mr John Ryall. He was asked about marketing people in Australia and referred John Ryall to me

Mr John Ryall phoned me about doing the marketing of this product and I asked him to send some details by post at his earliest convenience. This happened in the way of a brochure.

I spoke to Mr Phil Roberts about this product, but his quote was too hard and threw the brochure in the bin. John Ryall then phoned to say he was coming to Australia and would desire to meet. We both met with John and starting learning about the product and how we could introduce the milk to the Australian Market.

We moved rapidly with meetings with all type of people with investors to farmers, retailers etc.

We formulated a plan of attack; however, I didn't believe that we could do it on our own without some type of farm expertise and also some financial backing. The financial backing was a clause in the contract with a2 Corporation New Zealand.

We met Chris Saddlier and some farmers whom believed this was the best thing to hit the dairy industry since deregulation. We moved forward and Chris advised he would invest in the company. Due to personal happenings of Chris input of funds dragged on and on. All through out this procedure I was funding myself.

We continually planned everything from media to instore demonstrations, staff, logistics etc etc.

Each and every time we met we were told by Chris Saddler Director that supply would be in order by the launch.

We had a call from Mr Greg Little from Island Fresh in Adelaide whom invested funds, along with his accountant and also a friend from Rotary

We commenced trading on May 3rd 2004, to all supermarkets in the Greater South-east Queensland region with advertising budget for the first month of \$350,000..

***The supply was not there as promised.** Only 6000 litres of a2 Milk were available and the complaints poured in from both the consumer and the retailers.*

There was no way of stopping the media spend as it was locked in with no cancellation. We were some 13 days behind deliveries after the first week.

A solution was to test cows in Victoria which would assist but that would take a month or so. Cows were in the dry season so the production we had was all that we could have got until new farmers came on board. I brokered a deal with New Zealand that would see the farmer pay \$40,000 for the first month and then \$20,000 for the next 5 months. This would equate to \$140,000 event though the costing of the tests would have been \$157,000. I then travelled and this deal was then completed by Phil Roberts and Chris Saddler to the total of only \$40,000

Brisbane sales started to climb even tho no media was placed, however some promotions did assist the sales to a small degree. What Brisbane needed was a re launch but this was not able to be done due to funding inadequacies. Because of the extensive media coverage on Today Tonight in Adelaide it was mooted that we should do costings on a launch in Adelaide. This was done and figures and spreadsheets etc were completed by Phil and Tara. This was to be spoken about at the next board meeting.

I spoke with Phil and stated that we need to define our roles more. My experience in the sales and marketing side should see me take this area over along with the sales reps. There was some cross over by Phil to this area as there was with some of the logistics.

In short we were short managed at the senior level.

If you review the minutes of the Board Meetings you will see that I stated many times that I thought the financial management of the company was not in order and that a professional company of accountants should move in to run the day to day finances. This would then release Phil and I from the involvement of any decisions.

I contacted Alford's on the Gold Coast who attended a few meetings, however wrong figures to both them and the National bank were give. The old budget figures were give. They took two weeks of work to come back to us to say that the figures don't add up. Tara and Phil then realised that the new spreadsheets should have been given. One time I was in Adelaide and was advised by the office that the finance from Cashflow Pty Ltd had not been deposited in the account. I then phoned the GM of the company and he said he would get back to me.

He phoned 5 minutes later stating the funds were in the account. I was advised from our office that because we didn't get an email, we didn't check the bank account/statement.

I was continually on the road selling; doing the media promotions, negotiating with the processors in WA SA and NSW, meeting with Government re grants etc. along the way so the financial aspect of the company was left to the persons in the office namely Phil and Tara.

We sought meetings with anyone from Government to financial institutions to try to gain investors, with out success. May have been because the figures were wrong again.

I personally placed \$209,745 in the account to pay for the media bill. I was to place in \$200,000 at this time but more was needed. The extra nine thousand dollars was for my children's schools fees.

Whilst I was in Cairns expecting the \$1.26 million government grant, I received a call from my wife, stating the school said that if the fees where not paid don't send the children back after holidays.

This was out over a double mortgage of the properties These funds were needed after I transferred the required amount of funds to the advertising agency only o find out 24hours later that a stop had been placed on the transfer, to pay farmers or other debtors. This left me trying to find funds myself to pay this account as I have been in the media industry, and did not want my reputation ruined because of anyone

a2 Zealand then said they were looking to buy 51% of a2 Dairy Marketers Pty Ltd and place \$4 million in to the business. I would give up around 25 percent of t my shares for this to happen. They sent in Ferriers to do a due diligence of the company for some 5 days.

*a2 New Zealand never offered any support and this was agreed to me in the Car Park of a2 Dairy House last Thursday by the director John Ryall prior to hugging me. Also at that time I was advised not to contact Woolworths or not to do anything stupid, as the people behind a2 Corporation have the money and will come after me. They can't get my house, my unit and my cars because I wont own them. They won't get my dignity because no money in the world can buy tha
I don't blame a2 Corporation for doing nothing, after all that is what they did in there home land. Failed, failed failed. In saying this it was quoted to me in the carpark last Thursday that they never had any intention to assist. Now they have sat outside my office of my company and waited til we could not survive any longer. The doors were closed at 12.10pm on Friday and I left there after to have a beer with the staff.*

Within an hour or two, two directors had been offered positions with a2 Corporation New Zealand. Funny that.

I leave this room with my head held high knowing that both the administrators understand the situation of the people involved and the reasons behind the company's failure.

I worked 14-16 hours a day on this project to have my guts kicked. The warnings that came via my way to keep quiet and even the humiliation of a job offer to keep me quiet not relating to a2 Corporation, to this minute sicken my guts. The vested authorities will take action.

To those who have like me shed many tears over the past week and wondered what life and friendship is all about, move on, money pays the bills, but knowing that the right thing was done by yourself for the betterment of others is priceless.

Keep safe and you will reap the benefits of life in the long run.

Lindsay Stewart