

## PERTH

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12 October 2010

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

ADELAIDE  
BRISBANE  
MELBOURNE  
SYDNEY  
JAKARTA  
KUALA LUMPUR  
SINGAPORE  
TOKYO

### CIRCULAR TO CREDITORS

Affiliated through  
Zolfo Cooper  
and  
Kroll Worldwide  
UNITED STATES  
UNITED KINGDOM

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.

At the concurrent second meetings of creditors held on 16 August 2010, creditors resolved to adjourn the meetings for a period not exceeding 45 business days to allow further time for the Rewards Growers Advocacy Group Inc (RGAG) to formulate a Deed of Company Arrangement (DOCA) or restructuring proposal which potentially would include the Companies. We have since received a DOCA proposal from RGAG and the main terms are noted in the attached supplementary Administrators' report to creditors, along with our recommendation regarding the future of the Companies.

Accordingly, at the reconvened second meetings of creditors, the following options will be available to creditors regarding the future of each of the Companies:

- That the Company execute the DOCA; or
- That the Company should be wound up; or
- That the administration should end.

We advise that the reconvened concurrent second meetings of creditors of the Companies convened pursuant to Section 439A of the Act **will be held on Tuesday, 19 October 2010 at the Holiday Inn, 778 - 788 Hay Street, Perth, Western Australia at 11.30am (WST)** for creditors to determine the future of the Companies.

Please note if you previously submitted a **general proxy** for the second meeting of creditors held on 16 August 2010, your proxy form remains valid for this reconvened second meeting of creditors. However, should you wish to appoint a new representative for this meeting, please submit a new proxy form to this office by no later than **5pm WST on Monday, 18 October 2010**.

We further note that a summary of the outcome of the reconvened second meeting of creditors will be made available on the Ferrier Hodgson website shortly after the meeting. Should any creditor or stakeholder wish to obtain copy of the minutes of these meetings, the same will be available from the Australian Securities and Investments Commission



(ASIC) 10 business days after the date of the meeting (subject to ASIC's document image timing).

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 **Tuesday, 19 October 2010 at the Holiday Inn, 778 - 788 Hay Street, Perth, Western Australia at 11.30am (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 or second 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. We note that to be entitled to vote, corporate creditors **must complete and submit a Proxy form** for the purposes of these meetings.

Please note if you previously submitted a **general proxy** for the second meeting of creditors held on 16 August 2010, your proxy form remains valid for this reconvened second meeting of creditors. However, should you wish to appoint a new representative for this meeting, please submit a new proxy form to this office by no later than **5.00pm WST on Monday, 18 October 2010.**

All forms and supporting documentation can be lodged with the Administrators by no later than **5.00pm WST on Monday, 18 October 2010** 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) Supplementary Administrator's report pursuant to Section 439A(4) of the Act**

The report details any further information obtained since the date of the first Administrators' report to creditors. 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 to execute the proposed DOCA; or
- (b) Whether it would be in the creditors' interests for the company to be wound up; or
- (c) Whether it would be in the creditors' interests for the administration to end.

**(e) Remuneration Report**

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

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

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

**Further Information**

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

Should you have any questions in relation to this matter, please contact either Penny Vetten or Sarah Grove of this office

**Martin Jones**

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

Encl.

CORPORATE ADVISORY 

FORENSICS 

CORPORATE RECOVERY 

CORPORATIONS ACT 2001

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

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

Notice is given that reconvened concurrent meetings of the creditors of the Companies will be held on Tuesday, 19 October 2010 at the Holiday Inn, 778 – 788 Hay Street, Perth, Western Australia at 11.30am (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 company execute a Deed of Company Arrangement; or
  - (b) That the company be wound up; or
  - (c) That the administration should end.
5. To fix the further remuneration of the Joint and Several Administrators for each of the Companies.
6. If a Deed of Company Arrangement is executed, 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 Monday, 18 October 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 12<sup>th</sup> day of October 2010.



**Martin Jones**

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

**INFORMAL PROOF OF DEBT FORM FOR CREDITORS**

Regulation 5.6.47

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

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

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

\*Receivers and Managers also Appointed

Name of creditor: .....

Address of creditor: .....

ABN: .....

Telephone number: .....

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

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

.....  
 .....

Is the debt secured? YES/NO

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

.....  
 .....

Other information:

.....  
 .....

Signature of Creditor  
 (or person authorised by creditor)

**Notes:**

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

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

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

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

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

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

\*Receivers and Managers also Appointed

\*I/\*We<sup>1</sup> .....  
 of .....  
 a creditor of the company 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 Tuesday,  
 19 October 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 company execute a Deed of Company Arrangement in terms materially consistent with those detailed in the Administrators' Report dated 12 October 2010.	<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 Administrators' remuneration for the period 16 August 2010 to 30 September 2010 as detailed in the Administrators' Report dated 12 October 2010 be approved.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(e) A resolution that the Administrators' estimated future remuneration for the period 1 October 2010 to 18 October 2010 as detailed in the Administrators' Report dated 12 October 2010 be approved.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(f) If the Company executes a Deed of Company Arrangement: The Deed Administrators' estimated remuneration for the period 19 October 2010 to the execution of the Deed of Company Arrangement be fixed in accordance with the hourly rates of Ferrier Hodgson as detailed in the Administrators' Report dated 12 October 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 executes a Deed of Company Arrangement: The Deed Administrators/Trustees' remuneration from the execution of the Deed of Company Arrangement until termination of the Creditors' Trust be fixed in accordance with the hourly rates of Ferrier Hodgson as detailed in the Administrators' Report dated 12 October 2010 and that the Deed Administrators/Trustees be authorised to make monthly payments on account of such accruing remuneration be approved.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(h) 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 12 October 2010 and that the Liquidators be authorised to make monthly payments on account of such accruing remuneration be approved.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(i) If the company is placed into Liquidation: A Committee of Inspection be appointed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(j) 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 October 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 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 October 2010

.....  
Signature of Witness

.....  
Description

.....  
Place of Residence

<sup>4</sup> The method of affixing the Common Seal is prescribed in Section 127(2) of the Corporations Act 2001 and, usually, the creditor corporation's constitution.  
<sup>5</sup> The signature of the creditor is not to be attested by the person nominated as proxy.  
<sup>6</sup> A corporation may only be represented by proxy or by an attorney appointed pursuant to Corporations Regulations 5.6.28 and 5.6.31A respectively or, by a representative appointed under Section 250D of the Corporations Act 2001. Copy of authority/power of attorney to be annexed.  
<sup>7</sup> This certificate is to be completed only where the person giving it is blind.

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

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

**Martin Jones**

**Darren Weaver**

**Andrew Saker**

12 October 2010



**FERRIER HODGSON**

LEVEL 26, 108 ST GEORGES TERRACE PERTH WA 6000

GPO BOX 2537 PERTH WA 6001

TELEPHONE 08 9214 1444 FACSIMILE 08 9214 1400

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## Glossary of terms

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

## Listing of Annexures

<b>Annexure 1</b>	Administrators' Remuneration Reports
<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>	Background Information Regarding the Group

## 1. Executive summary

We refer to the appointment of Martin Jones, Andrew Saker and Darren Weaver as Joint and Several Administrators of Rewards Group Ltd (RGL) on 16 May 2010, pursuant to section 436A of the Corporations Act 2001 (the Act). We also refer to our section 439A of the Act Report to Creditors of the Company dated 9 August 2010 which should be read in conjunction with this report.

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

On the 19 May 2010, Peter Anderson, James Thackray and William Harris were appointed as R&M over RGL. As a consequence of the appointment of the R&M and pursuant to section 442D of the Act, the Administrators' powers are limited and subject to the powers of the R&M. A summary of the Group entities, the respective roles, and the Group's strengths and weaknesses is included as **Annexure 4**.

At the second meeting of creditors convened on 16 August 2010 creditors of the company resolved to adjourn the meeting for a period of up to forty-five (45) business days to allow further time for the Rewards Growers Advocacy Group Inc (RGAG) to formulate a Deed of Company Arrangement (DOCA) proposal for all or part of the Group and / or schemes. A quorum for Greentree Capital Pty Ltd (GCPL) was not present at this meeting nor a reconvened meeting held on 30 August 2010 and accordingly control of GCPL reverted to the directors of GCPL on this day.

The adjourned second meeting of creditors of the Company has been reconvened for **Tuesday, 19 October 2010 at the Holiday Inn, 778 – 788 Hay Street, Perth, Western Australia at 11.30 am WST**.

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.
- Company to execute a DOCA.

RGAG has put forward a DOCA proposal for the Company and also Rewards Land Pty Ltd (RLPL), Rewards Management Pty Ltd (RMPL) and Rewards Projects Ltd (RPL). Separate Supplementary Reports to Creditors for RLPL, RMPL and RPL have also been issued to creditors of these respective entities which are available for download via our website at [www.ferrierhodgson.com](http://www.ferrierhodgson.com) and hard copies may be made available upon request to this office.

It is the Administrators' recommendation that creditors resolve to accept RGAG's DOCA proposal for the following key reasons:

1. The DOCA would allow for an orderly, timely and structured realisation of RLPL's land assets to satisfy the secured creditor's debt (National Australia Bank (NAB)) in full. In this regard, we note that NAB holds security over RGL as well as other entities of the Group to secure its debt and the realisation strategy under the DOCA seeks to satisfy this debt in full in a timely process following which residual assets of RGL would be transferred to a Creditors' Trust and realised by the Trustee for the benefit of unsecured creditors;
2. The DOCA provides for recovery of amounts owed by growers of the various MIS schemes. Thus these recoveries potentially provide for a greater pool of funds available to unsecured

creditors in RPL than would arise in a winding up. In this regard, RGL is an unsecured creditor of RPL and thus may receive a greater return than in a winding up of the Company;

3. The DOCA may potentially preserve some value in RGL's investments in various Rewards Group related scheme assets if the MIS schemes subject to the DOCA proposal are continued as proposed which may ultimately be realised for the benefit of creditors; and
4. A Creditors' Trust is proposed to be formed under the DOCA which allows for the preservation of certain legal claims which may be pursued by the Trustee for the benefit of creditors.

We set out below the estimated returns to creditors of RGL under RGAG's DOCA:

Creditor	Estimated Return
Secured Creditor - National Australia Bank	100 cents in dollar
Unsecured Creditors	Up to 0.23 cents in the dollar from assets made specifically available under the DOCA plus any additional assets of RGL existing as at the date of execution of the DOCA after satisfaction of secured and priority claims

- We note that we are yet to determine the validity of Linetime Holdings Pty Ltd's fixed and floating charge over RGL. For the purposes of this analysis we have assumed that the claim would be satisfied in full as a secured claim from RGL's existing assets. This claim will need to be assessed by the Deed Administrators / Liquidators as the case may be to determine its quantum and the validity of the security.

Please refer to sections 5 and 9.3 of this report for further details regarding the Company's estimated statement of position, estimated returns to creditors and assumptions in relation to these calculations.

We also highlight that there are a number of key risks to completion of the DOCA and these are detailed below:

1. There is a risk that the sale of the properties contemplated under the DOCA do not complete;
2. There is a risk that growers do not approve the variations to be proposed to various MIS scheme constitutions;
3. Uncertainty as to whether the DOCA proposal is acceptable to NAB. We note that at the time of preparing this report we were yet to receive any advice as to whether the DOCA proposal is acceptable to NAB; and
4. Uncertainty as to whether the ARK creditors will agree to the DOCA proposal to be put forward to them in the near future which proposes for the sale of various ARK properties and satisfaction of NAB's debt within ARK.

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).

## 2. Introduction

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

As noted above, on 16 May 2010 Martin Jones, Andrew Saker and Darren Weaver were appointed as Joint and Several Administrators of each of the Group entities, pursuant to section 436A of the Act.

Immediately following our appointment, we took control of the Group assets and continued to carry on the Group business.

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

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

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

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

*and also setting out:*

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

In the available time, we have undertaken the preliminary investigations detailed in section 8 of this report. These investigations have assisted in forming an opinion about the Company's future. Our opinions are set out in section 12 of this report.

## 2.2 First meeting of creditors and committee of creditors

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

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

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

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

However, we note that a number of meetings of the Group's committee of creditors have been held during the administration to date.

We intend to convene a meeting of the committees of creditors for RLPL, RPL, RMPL and OPPL prior to the second adjourned meetings of creditors to seek their views on RGAG's DOCA proposal. In this regard, creditors will be apprised of the committees' views at the reconvened second meetings of creditors.

## **2.3 Second meeting of creditors**

As discussed earlier, at the second meeting of creditors convened on 16 August 2010 creditors of the company resolved to adjourn the meeting for a period of up to forty-five (45) business days to allow further time for RGAG to formulate a DOCA proposal for all or part of the Group and / or schemes.

The adjourned second meeting of creditors of the Company has been reconvened for **Tuesday, 19 October 2010 at the Holiday Inn, 778 – 788 Hay Street, Perth, Western Australia at 11.30 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.
- That the Company should be wound up.
- That the Company execute a DOCA.

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

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

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

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

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

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

We have been unable to ascertain various account balances as our access to the Company's books and records has been restricted due to the appointment of the R&M's. Efforts to ascertain information



directly from the Group's employees has also been limited due to the R&M's control of the same and their different priorities.

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

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

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### 3. Company information

#### 3.1 Statutory information

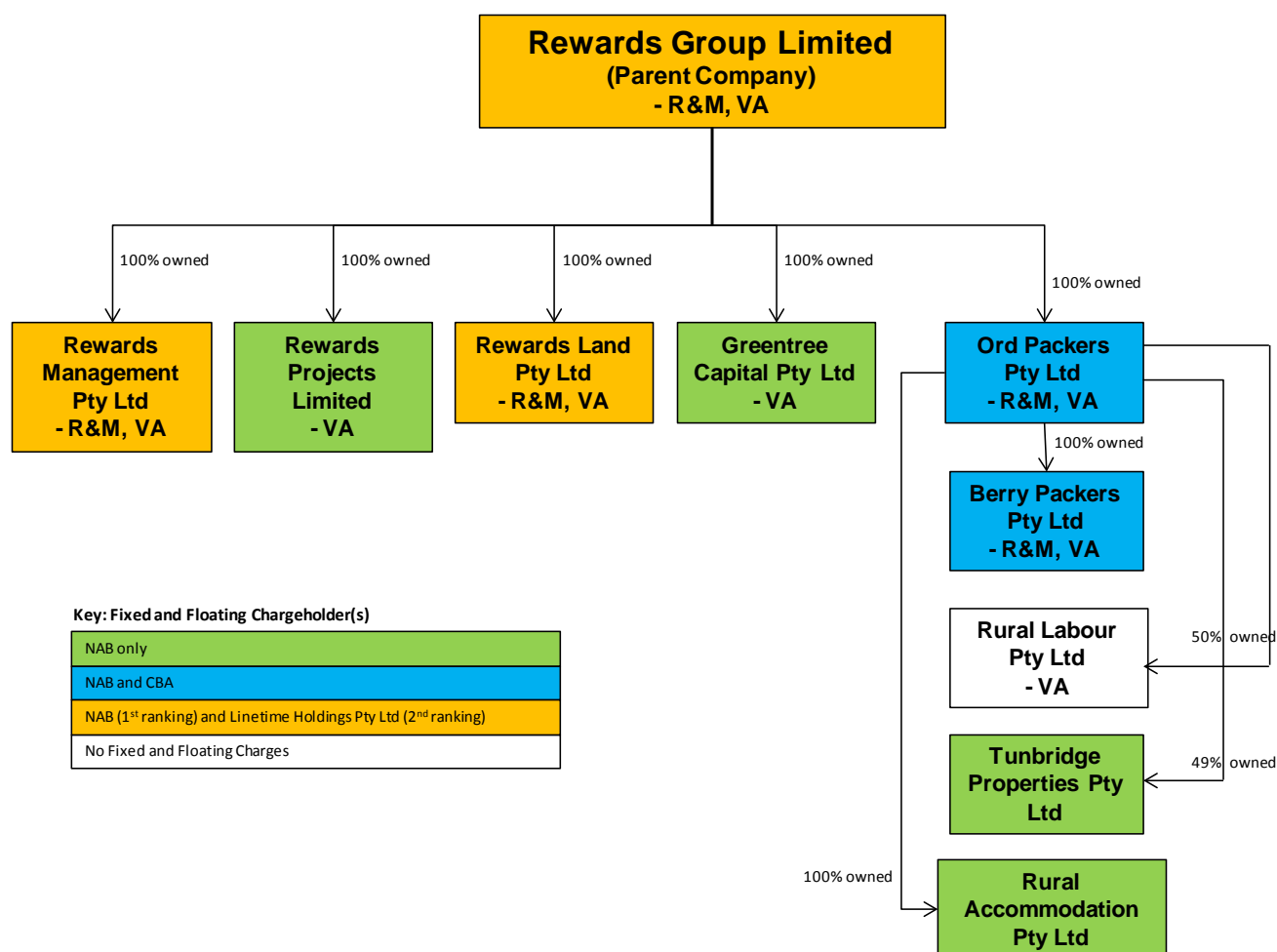
Please refer to our section 439A of the Act Report to Creditors dated 9 August 2010 for statutory information pertaining to the Company.

#### 3.2 Company history

Please refer to our section 439A of the Act Report to Creditors dated 9 August 2010 for information pertaining to the history of the Company.

##### 3.2.1 Group Structure

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



### **3.3 Decision to appoint administrators**

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

## **4. Historical financial information**

Please refer to our section 439A of the Act Report to Creditors dated 9 August 2010 for historical financial information pertaining to the Company.

## **5. Statement by directors**

### **5.1 Summary**

Section 438B of the Act requires the directors to give an Administrator a Statement about the Company's business, property, affairs and financial circumstances. We received the Directors' Statements on 1 June 2010 and the various statements are consistent. Accordingly, they are referred to hereafter as one.

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

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

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

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

We also note that there is a Deed of Cross Guarantee between RGL and RMPL which pools the assets and liabilities of both entities for the benefit of creditors. Thus in a liquidation scenario the creditor pools of both entities would be consolidated.

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

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

### 5.1.1 Sundry debtors

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

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

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

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

### 5.1.2 Cash at bank

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

### 5.1.3 Inventory

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

### 5.1.4 Plant, equipment and office furniture

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

### 5.1.5 Other Assets

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

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

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

## 5.1.6 Employee Entitlements

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

## 5.1.7 Secured creditors

The chargeholders below hold secured charges charged over certain assets and substantially all of the assets of RGL:

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

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

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

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

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

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

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

Section 266 of the Act provides that a charge may be considered void if it's registered within six (6) months of the appointment of an Administrator / Liquidator. We note that the Linetime charge was registered on 11 May 2010, five (5) days prior to the appointment of Administrators and this date falls within the relevant relation back date. We are currently continuing to review the particulars of this charge in order to determine its validity. We note that Linetime's charge appears to have been registered within 45 days of creation in accordance with section 263 of the Act having been created on 29 March 2010. Board minutes we have recovered evidence that the board of directors of RMPL resolved to grant the security to Linetime on 18 February 2010.

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

#### 5.1.8 Ordinary unsecured creditors

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

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

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

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

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

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

We also note that there is a Deed of Cross Guarantee between RGL and RMPL which pools the assets and liabilities of both entities for the benefit of creditors. Thus in a liquidation scenario the creditor pools of both entities would be consolidated.

#### 5.1.9 Omissions from Statement

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

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

## 5.2 Explanation for current financial position

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

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

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

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

## 6. Trading by Administrators

### 6.1 Overview

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

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

### 6.2 Summary of receipts and payments

A summary of the Administrators' receipts and payments for the period 16 May 2010 to 30 September 2010 is included within Part B of the Administrators' Remuneration Reports in **Annexure 1**.

## 7. Sale of business and assets

As previously advised, the Administrators received interest from a number of interested parties with respect to the acquisition / restructure of the Group's assets. The Administrators entered into an interim funding agreement with RGAG on 17 June 2010. Under the funding agreement, RGAG forwarded funds to the Administrators to maintain and preserve all horticulture (excluding brushwood, vineyard and berries) and timber schemes managed by the Group until 30 June 2010. A similar

funding agreement was entered into with the Connections Group (CG) for the berry schemes. The Supreme Court of Western Australia heard and approved the Administrators entering into the loan agreements with CG and RGAG on 30 June 2010. Under the CG funding arrangement CG will be funding operations to complete the current harvest of the berry schemes, which are expected to conclude around mid October 2010 in the case of Caboolture, Queensland and May 2011 in the case of Yarra Valley, Victoria.

Under the RGAG funding arrangement RGAG further agreed to advance funds to the Administrators of RPL to 19 October 2010. RGAG's funding arrangement provides RGAG with exclusivity to information pertaining to the Group (so long as funding remains in place) to liaise with the Administrators with a view of putting forward a restructuring / DOCA proposal for all or part of the Group and / or schemes managed by the Group (excluding, brushwood, berries and vineyards schemes) for growers' and creditors' consideration, as applicable.

We note that the R&M of RLPL made an application to the Supreme Court of Western Australia under Section 440C of the Act to take possession of these properties leased to RPL. The hearing in respect of this matter was originally heard on 30 June 2010 and adjourned to 28 July 2010. At the hearing his Honour reserved his decision and on 2 September 2010 his Honour delivered his decision and dismissed the R&M's application.

The Administrators understand that the R&M of ARK and RLPL have recently written to growers advising of the termination of various head leases with RPL, which are in turn sub-leased to respective growers by RPL. We confirm that the Administrators are relying on their statutory protection in relation to the leased properties pursuant to section 440C of the Corporations Act. Were it not for the statutory protection provided under the Act in a voluntary administration, the R&M of Ark and RLPL may have rights to repossess the scheme properties having regard to the termination notices issued in respect of the leased properties. This may result in RPL being unable to fulfil its obligations as RE (we also note that the Administrators are yet to fully determine the validity of the default events relied upon by the R&M). Accordingly, if RPL was to proceed into liquidation there is no further statutory protection afforded to RPL to maintain possession of the properties and the R&M may seek to repossess the properties, subject to legal remedies which may be pursued by growers.

RGAG has put forward a DOCA proposal for the Company and also RLPL, RMPL and RPL. The contents of this proposal are discussed and analysed in section 9 of this report below.

## 8. Statutory investigations

Please refer to our section 439A of the Act Report to Creditors dated 9 August 2010 for details of our preliminary investigations into the Company's affairs and conduct of its officers prior to our appointment.

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

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

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

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

Entity	Likely Date of Insolvency
RPL	Further Work Required by a Liquidator
RLPL	June 2008
RMPL	July 2009
OPPL	October 2009
BPPL	October 2009
Rural Labour	December 2009

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

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

Set out below is a summary of the potential recoveries by a liquidator in the event the Company is wound up based upon our preliminary investigations:

Potential Recovery Item	High (\$)	Low (\$)
Unfair preferences	Nil	Nil
Uncommercial transactions	TBD	Nil
Unfair loans	TBD	Nil
Unreasonable director related transactions	TBD	Nil
Transactions undertaken to obstruct creditors' rights	Nil	Nil
Compensation from director for insolvent trading	TBD	Nil
Compensation from holding company for insolvent trading	Nil	Nil
Breaches of directors duties	TBD	Nil
Avoidance of employee entitlements	Nil	Nil
Debts incurred by Company as trustee	Nil	Nil
<b>Total</b>	<b>TBD</b>	<b>Nil</b>

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.

We note that if RGL accepts a DOCA an insolvent trading claim cannot be pursued against the directors by a Deed Administrator, however the ASIC is able to take action on its own accord with respect to this matter.

Our preliminary investigations (including land, vehicles and shareholding searches) have revealed that the directors' net asset position is subject to a mixture of personal and corporate interests. Further investigations will be required in regards to the directors' net asset positions. It appears their personal

net assets positions does depend on the outcome of the R&M's work within the Group, as a result of personal guarantees for Group debts or with a view to equity potentially being available from certain of the Group companies.

For completeness, we note that we continue to seek to ascertain as to whether a directors' and officers' insurance policy may respond to any claims brought by a liquidator.

## 9. Proposal for Deed of Company Arrangement (DOCA)

### 9.1 Statement of Proposed DOCA

We have received a DOCA proposal from RGAG for the reconstruction and recapitalisation of RPL, RGL, RMPL and RLPL as well as certain schemes managed by the Rewards Group.

The key terms of the DOCA proposal are set out below:

Term	Description
<b>Proponent</b>	<p>One or more of the following:</p> <ul style="list-style-type: none"> <li>Rewards Growers Advocacy Group Inc (RGAG).</li> <li>Black Tree Pty Ltd (Black Tree).</li> <li>Food and Beverage Australia Ltd (FABAL).</li> </ul> <p>Or such other nominees as agreed with the Deed Administrators.</p>
<b>Companies</b>	Rewards Projects Limited, Rewards Group Limited, Rewards Management Pty Ltd and Rewards Land Pty Ltd (Rewards Group).
<b>Purpose</b>	<p>The purpose of the proposal is to reconstruct and recapitalise the Rewards Group and in that way:</p> <ul style="list-style-type: none"> <li>Facilitate the payment of the Secured Debt in a quick and certain timeframe;</li> <li>Ensure that the Timber and Tropical Fruit MIS Schemes are maintained and the growers' assets therein are protected;</li> <li>Make a contribution towards and thereby maximise the return to the unsecured creditors of the Rewards Group in a certain and timely way; and</li> <li>Enable as much as possible of the business of the Rewards Group to survive as a going concern and in that way protect the employment of many of the employees of the Rewards Group.</li> </ul> <p>Rewards shall continue all Forestry schemes (Forestry MIS) to enable change of RE to Black Tree (or its nominee).</p> <p>Rewards shall continue all Tropical Fruit Schemes (Tropical Fruit MIS) to enable change of RE to FABAL (or its nominee).</p>
<b>Benefits to Stakeholders of Rewards Group</b>	<p>The proposed DOCAs will benefit stakeholders of the Rewards Group by:</p> <p><b><u>Secured Creditor – NAB</u></b></p> <ul style="list-style-type: none"> <li>Enable restructure of MIS such that properties can be readily sold.</li> <li>Putting all properties on a commercial rental basis to maximise realisable value of properties.</li> <li>Unencumber certain properties / projects from MIS constraints to enable immediate realisation.</li> <li>Complete payout of secured creditor debt within a short timeline.</li> <li>Mitigate potential legal debate / claims with growers over ownership issues if the schemes were to be wound up.</li> </ul> <p><b><u>Employees</u></b></p>

- Opportunity to continue employment with the Rewards Group.
- Will receive a return equal or greater than in a liquidation scenario and a timely return.

#### **Unsecured Creditors**

- A greater likely return than in a liquidation scenario by virtue of the proposed proceeds from future grower contributions, trading surplus, crop harvest proceeds and any surplus from sale of certain land which may not be available to unsecured creditors in a liquidation scenario.
- Preservation of other assets such as potential legal claims and debtor recovery prospects which may provide a return to unsecured creditors.
- Mitigate potential claims against the Group by growers and thus reduce the unsecured creditor pool.

#### **Growers**

- Growers will maintain interest in certain schemes and / or interest in the long term restructure of the Rewards Group MIS corporatisation model.

#### **Land owners**

- Opportunity for land owners to renew lease terms and receive commercial benefit.

#### **Suppliers and Contractors**

- Opportunity for suppliers and contractors to benefit from any commercial arrangements moving forward for the continued operation of the MIS projects.

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#### **Working Capital**

Rewards Group in particular the RE (through the Deed Administrator) will receive funding from:

- Black Tree sufficient to all necessary Grower meetings for Forestry schemes.
- FABAL sufficient to call necessary Grower meetings for Horticultural schemes.
- Collection of harvest receipts.
- Collection of grower payments.

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#### **National Australia Bank Payments and Security**

Payment of National Australia Bank debt in full through sale and / or refinance of properties.

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#### **MIS Scheme Amendments**

Conditional upon the DOCA being approved, separate meetings must be held of each of the Timber and Tropical Fruit MIS Schemes, to approve resolutions to:

1. Vary the Schemes to the satisfaction of the Proponent;
2. Where necessary, approve the contributions to Rewards Projects Limited from scheme assets as contemplated under this DOCA; and
3. If required by the Proponent, change the Responsible Entity of the Schemes to an entity nominated by the Proponent (subject to Due Diligence).

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#### **Existing Crop and Finance Tripartite Deeds**

The Proponent acknowledges that Rewards Projects Limited and its Administrators entered into a Crop and Finance Tripartite Deed with Food and Beverage Australia Limited and RGAG on 17 September 2010 for the current harvest of the Kumbia, Childers, Mareeba and Dandaragan tropical fruit crop (2006, 2007 and 2008 tropical fruit crop). The Proponent acknowledges that this arrangement remains in force and Rewards Projects Limited and its Administrators are bound by the terms of this arrangement.

The Proponent acknowledges that Rewards Projects Limited and its Administrators intend to enter into a Crop and Finance Tripartite Deed for the current harvest of the Kununurra tropical fruit crop. The Proponent acknowledges that this arrangement remains in force and Rewards Projects Limited and its Administrators are bound by the terms of this arrangement.

The Proponent acknowledges that Rewards Projects Limited and its Administrators entered into a Loan Agreement with the Connections Group in early June 2010 for the current harvest of the Yarra Valley and Caboolture berries 2007 and 2008 scheme crops. The Proponent acknowledges that this arrangement remains in force and Rewards Projects Limited and its Administrators are bound by the terms of this arrangement.

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<b>DOCA</b>	<p>Under the DOCAs for each of the entities in the Rewards Group which will be conditional upon the MIS Scheme Arrangements being passed:</p> <ol style="list-style-type: none"> <li>1. The administrators will become the Deed Administrators.</li> <li>2. The claims of all creditors (including Grower claimants, any shareholder claimants and ordinary unsecured creditors) of all of the entities in the Rewards Group (Unsecured Creditors) will be released.</li> <li>3. Creditors Trust/s will be created and the Unsecured Creditors will only be entitled to participate as beneficiaries of the Creditors' Trust.</li> <li>4. The Deed Administrators of Rewards Projects Ltd will be responsible for dealing with or closure of the MIS Schemes not required unless replaced by a Responsible Entity other than the Proponent or its nominee.</li> <li>5. The Proponent is to negotiate new commercial lease terms with respective land owners of the MIS projects. The Proponent will seek a change in the Constitutions of the MIS projects such that the payments to the Responsible Entity will facilitate payments by the Responsible Entity to the land owning companies to reflect commercial lease rates.</li> </ol>
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<b>Assets to be Acquired and Realised</b>	<p>The Proponent or its nominee require:</p> <ul style="list-style-type: none"> <li>• RGAG or its nominees to acquire all shares in Rewards Projects Limited.</li> <li>• Black Tree to acquire forestry land properties of the schemes owned by Rewards Group and Ark.</li> <li>• Black Tree to acquire loan books held by the Rewards Group.</li> <li>• Black Tree to acquire Sandalwood Land Unit Trust and Teak Land Unit Trust land.</li> <li>• FABAL to acquire (or underwrite minimum value) certain horticultural properties.</li> </ul> <p>In respect of the sale of the properties above, subject to National Australia Bank's consent the Deed Administrators are to obtain two independent valuations prior to entering into the binding contracts for sale of the properties of which the acquisition prices proposed by the acquiring parties must be greater than the average of these values.</p> <p>Other surplus land assets remaining after discharge of National Australia Bank's debt not acquired by Black Tree and FABAL are to be realised by the Deed Administrators for the benefit of creditors.</p>
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<b>Ark DOCA key terms</b>	<p>The completion of the Rewards Group DOCAs is contingent on completion of the Ark DOCA.</p> <p>Essentially under the Ark DOCA, the Deed Administrators of Ark are to enter into binding agreements or complete the sale of the following:</p> <ul style="list-style-type: none"> <li>• Repayment of National Australia Bank facilities.</li> <li>• Caboolture property by 28 February 2011.</li> <li>• Horticulture properties owned by Ark by 28 February 2011.</li> </ul>
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<b>Creditors' Trust</b>	<p>Upon completion of the DOCAs a Creditors' Trust will be formed for Rewards Projects Limited. The Trustees will be the Deed Administrators. The assets of the Rewards Projects Limited's Creditors Trust will comprise of:</p> <ul style="list-style-type: none"> <li>• Outstanding grower debtor balances as at the date of execution of the DOCA.</li> <li>• All future grower contributions payable to 31 March 2011 (estimated value range of \$2M to \$3M) less ongoing operating expenses of the schemes incurred by the Administrators / Deed Administrators.</li> <li>• Trading Surplus from current harvests (estimated value range of up to \$4M).</li> <li>• Any and all legal actions identified by the Administrators or Deed Administrators existing from circumstances arising prior or during the Administrators' appointment will be to the benefit of the Creditors' Trust.</li> <li>• All excess land and other assets of the company which existed at the date of execution of the DOCA after discharge of National Australia Bank debt.</li> <li>• The Trustees will seek to realise these assets as soon as practicable for the benefit of creditors.</li> </ul>
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Funds contributed from the Trading Surplus and Future Grower Contributions are subject to growers' approval.

The Creditors' Trust will pay all Administrator and Deed Administrator fees and costs and debts incurred. The balance will be paid to creditors in order of priority under the Act.

Upon completion of the DOCAs Creditors' Trusts will be formed for Rewards Land Pty Ltd, Rewards Management Pty Ltd and Rewards Group Limited. The Trustees will be the Deed Administrators. The assets of these Creditors' Trusts will comprise of the following:

- Current existing assets as at the date of execution of the DOCA.
- Any and all legal actions identified by the Administrators or Deed Administrators existing from circumstances arising prior or during the Administrators' appointment will be to the benefit of the Creditors' Trusts.
- The Trustees will seek to realise these assets as soon as practicable for the benefit of creditors.

The Creditors' Trust will pay all Administrator and Deed Administrator fees and costs and debts incurred. The balance will be paid to creditors in order of priority under the Act.

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**Employees' Claims**

Employees' claims enjoy the same priority for distribution under the Creditors' Trust per section 556 of the Corporations Act.

Employees are to receive a return not less than that in a liquidation scenario of the Rewards Group (incorporating any advances which employees would be eligible to claim under GEERS in a liquidation scenario).

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**New directors and control of Rewards Group post DOCA**

Upon completion of the Rewards Group's DOCAs control of Rewards Projects Limited will revert to the Proponent by the appointment of new directors and new shareholders nominated by the Proponent (Rewards Group Limited to no longer hold shares in Rewards Projects Limited). The Deed Administrators are to assist in implementing these changes at completion.

Upon completion of the Rewards Group Ltd, Rewards Management Pty Ltd and Rewards Land Pty Ltd DOCAs control of these companies is to revert to the existing directors.

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**Conditions Precedent**

Completion will be subject to the following conditions:

- a) Satisfactory arrangements to facilitate full repayment of National Australia Bank debt;
- b) Approval by the Committee of Creditors of the Rewards Group;
- c) Approval by creditors of the various Rewards Group entities to the Deed of Company Arrangement at a meeting to be held on 19 October 2010;
- d) Approval by creditors of Ark to the Deed of Company Arrangement at a meeting to be held around early November 2010;
- e) A convening of Meetings of Growers of the Timber Schemes and the Tropical Fruit Schemes to vary the respective constitutions in a form satisfactory to the Proponent;
- f) The Proponent is to negotiate new commercial lease terms with respective land owners of the MIS projects. The Proponent will seek a change in the Constitutions of the MIS projects such that the payments to the Responsible Entity will facilitate payments by the Responsible Entity to the land owning companies to reflect commercial lease rates;
- g) Approval by the Court to any applications applicable to this proposal;
- h) Regulatory and other applicable approvals; and
- i) Replacement of directors.

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**Change in Constitutions**

The Proponent will seek a change in the Constitutions of the MIS projects such that the payments to the RE will facilitate payments by the RE to the land owning companies to reflect commercial lease rates.

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**Transaction Documents**

Upon acceptance by creditors of the DOCA the parties to the DOCA will negotiate in good faith the following transaction documents:

- a) The Deeds of Company Arrangement;
- b) Binding Contracts of Sale for Land;

- c) The Creditors' Trust Deeds; and  
d) Any other document reasonably required.

**Exclusivity** During the DOCA the Deed Administrators will not solicit, encourage, initiate or participate in any discussions with third parties interested in the Timber Scheme or the Tropical Fruit Schemes other than the Proponent and its nominees.

**Benefit of Legal Claims** Any and all legal actions identified by the Administrators or Deed Administrators will be to the benefit of the Creditors' Trust.

**Completion** On or prior to 31 March 2011.

**Timeline** For the avoidance of doubt, the critical timeline is as follows:

Stage	Key Event	Date
Stage 1	Rewards DOCA to be approved by creditors	19 October 2010
Stage 2	Draft terms for contracts of sale for land	19 October 2010
Stage 3	Rewards DOCA to be executed	4 November 2010
Stage 4	Ark DOCA to be approved by creditors	November 2010
Stage 5	Ark DOCA to be executed	November 2010
Stage 6	Execution of contracts of sale	4 November 2010
Stage 7	Completion of due diligence	November 2010
Stage 8	MIS scheme meetings to be held to change constitutions	January / February 2011
Stage 9	MIS scheme meetings to be held to change Responsible Entity	January / February 2011
Stage 10	Financial Closure and DOCA terminated and Creditors' Trust formed	February / March 2011

**Assignment** The Proposal (including the Tropical Fruit Scheme Loan and Forestry Scheme Loan) shall be able to be freely assigned and/or transferred by the Proponent.

**Variation** Should the DOCA become capable of not being completed in its current form the Proponent may put forward a variation to the Deed Administrators for consideration. Any reasonable variation will be put forward to creditors and the DOCA may be varied with appropriate consents being provided by creditors in accordance with the Corporations Act 2001 and terms of the DOCA where applicable.

**Governing Law** Western Australia

**Non-binding Nature** This Proposal is non-binding, except for the provisions relating to Exclusivity, Confidentiality, and Governing Law.

**Schemes / MIS projects** In this proposal:  
Timber Schemes include:  
TK01R1 Forest Rewards Teak Project 2001 ARSN 096-619-466  
TK01R2 Forest Rewards Teak Project 2001 ARSN 096-619-466  
TK03R1 Rewards Group Teak Project 3 ARSN 104-486-222  
TK03R2 Rewards Group Teak Project 3 ARSN 104-486-222 (Release 2)  
TK05R1 Rewards Group Teak Project 4 ARSN 111-957-843  
TK05R2 Rewards Group Teak Project 4 ARSN 111-957-843 (Release 2)  
TK 06R1 Rewards Group Teak Project 6 ARSN 119-363-727  
TK06R2 Rewards Group Teak Project 6 ARSN 119-363-727 (Release 2)  
SW00R1 Forest Rewards Sandalwood Project 2000 ARSN 091-534-995  
SW01R1 Forest Rewards Sandalwood Project 2001 ARSN 096-165-874  
SW02R1 Forest Rewards Sandalwood Project 2002 ARSN 099-571-285  
SW04R1 Rewards Group Sandalwood Project 4 ARSN 104-486-240  
SW04R2 Rewards Group Sandalwood Project 4 ARSN 104-486-240 (Release 2)  
SW05R1 Rewards Group Sandalwood Project 5 ARSN 112-106-313  
SW05R2 Rewards Group Sandalwood Project 5 ARSN 112-106-313 (Release 2)

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SW05R3 Rewards Group Sandalwood Project 5 ARSN 112-106-313 (Supplementary)  
 SW07R1 Rewards Group Sandalwood Project 7 ARSN 121-784-325  
 SW07R2 Rewards Group Sandalwood Project 7 ARSN 121-784-325 (Supplementary)

Tropical Fruit Schemes include:

TC02R1 Rewards Group Tropical Citrus Project ARSN 099-629-973  
 TF03R1 Rewards Group Tropical Fruits Project – Retail ARSN 103-358-229  
 TF03W1 Rewards Group Tropical Fruits Project – Wholesale ARSN 103-358-229  
 TF04R1 Rewards Group Tropical Fruits Project 2004 – Retail ARSN 108-145-160  
 TF04W1 Rewards Group Tropical Fruits Project 2004 – Wholesale ARSN 108-145-160  
 TF05R1 Rewards Group Tropical Fruits Project 2005 ARSN 113-282-232  
 TF06R1 Rewards Group Tropical Fruits Project 2006 ARSN 118-265-526  
 TF07R1 Rewards Group Tropical Fruits Project 2007 ARSN 124-299-056  
 TF08R1 Rewards Group Tropical Fruits Project 2008 ARSN 130-040-032

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## 9.2 Key Events and Terms

If RGAG's DOCA proposal is approved by creditors, a number of key events will occur prior to completion of the DOCA, including:

- Approval by creditors at the meeting of creditors convened for 19 October 2010 to give effect to the DOCA and execution of the DOCA by 9 November 2010;
- Terms for contracts for sale of forestry land owned by RLPL to Black Tree to be drafted on 19 October 2010;
- In respect of the sale of the properties, subject to NAB's consent the Deed Administrators are to obtain two (2) independent valuations prior to entering into the binding contracts for sale of the properties of which the acquisition prices proposed by the acquiring parties must be greater than the average of these values - October 2010;
- ARK DOCA to be approved by creditors and executed - November 2010;
- Execution of contracts for sale of forestry land owned by RLPL to Black Tree on 4 November 2010;
- Marketing of Rewards Group horticulture land - November 2010;
- Execution of contracts for sale of horticulture land owned by RLPL - December 2010 / January 2011;
- Meetings of growers to be held in January / February 2011 to seek approval to changes to scheme constitutions including potential new Responsible Entity proposals and revision of financial structure and operation of MIS schemes;
- Sale and settlement by ARK of Caboolture property and horticulture properties per ARK's DOCA - February 2011;
- Financial closure for settlement of sale of properties and pay out of NAB debt in full - February / March 2011;
- DOCA terminated and Creditors' Trusts formed February / March 2011; and
- Distributions to unsecured creditors May / June 2011.

During the DOCA RPL will receive funding through the following forms to continue to operate the MIS schemes:

- Black Tree sufficient to convene all necessary grower meetings for Forestry schemes;
- FABAL sufficient to convene all grower meetings for Tropical Fruit schemes;
- Collection of harvest receipts;
- Collection of grower payments; and

- Existing harvest / crop sale arrangements.

The viability of the MIS schemes subject to the DOCA proposal have been assessed by the Proponent. In this regard, the Proponent proposes to put forward a number of constitutional changes for growers' approval to seek to ensure the long term viability of the MIS schemes.

We also highlight that there are a number of key risks to completion of the DOCA and these are detailed below:

1. There is a risk that the sale of the properties contemplated under the DOCA do not complete;
2. There is a risk that growers do not approve the variations to be proposed to various MIS scheme constitutions;
3. Uncertainty as to whether the DOCA proposal is acceptable to NAB. We note that at the time of preparing this report we were yet to receive any advice as to whether the DOCA proposal is acceptable to NAB; and
4. Uncertainty as to whether the ARK creditors will agree to the DOCA proposal to be put forward to them in the near future which proposes for the sale of various ARK properties and satisfaction of NAB's debt within ARK.

### **9.3 Anticipated return to creditors**

Please refer to section 5 of this report for the Company's estimated Statement of Position. It is unclear what the return may be to creditors of RGL given that we have not conducted a valuation of the Group's assets given a R&M has been appointed to various entities within the Group. Notwithstanding this position we are of the view that the DOCA allows for an orderly, timely and structured realisation of RLPL's assets such that the realisation strategy under the DOCA maximises the opportunity for a return to unsecured creditors and pay out of NAB's secured debt in full.

We do however set out below a summary of the anticipated additional funds which may flow to RPL from contributions from growers under the DOCA and the corresponding distribution of these funds through to RMPL, RLPL and RGL and other unsecured creditors of these entities. Please note that this is only an estimate and is based upon:

- The expected recoveries of funds from growers;
- Excludes surplus assets which may be available after satisfaction of NAB debt;
- Current known and likely creditor claims at this point;
- We note that ARK is listed as an unsecured creditor of RMPL in the Group's records for \$5.2M for outstanding rent which is reflected in the unsecured creditor position below. In this regard, we have assessed this debt as likely owing by RPL rather than RMPL given contractual arrangements with ARK. Under the DOCA this outstanding rent is proposed to be satisfied which would reduce the unsecured creditor pool in RMPL or RPL;
- Excludes the Administrators' fees and expenses and other realisation costs; and
- Assumes the secured creditor and employee claims are satisfied from other existing fixed and floating charge assets (in reality a surplus or deficiency may exist following ultimate realisation).

	RPL	RMPL	RLPL	RGL
	(\$)	(\$)	(\$)	(\$)
<b>DOCA Contributions:</b>				
Grower Recoveries to 31 March 2010	3,000,000	-	-	-
Trading Surplus	4,000,000	-	-	-
<b>Total Estimated DOCA Contributions</b>	<b>7,000,000</b>	-	-	-
<i>Dividend Flow</i>				
Dividend from RPL	-	2,883,711	-	28,804
Dividend from RLPL	-	-	-	-
Dividend from RGL	-	28,325	-	-
<b>Total</b>	-	<b>2,912,037</b>	-	<b>28,804</b>
<b>Unsecured Creditor Claims</b>				
RGL	117,028	-	-	-
RMPL	11,716,346	-	25,455,228	12,107,130
RLPL	-	-	-	-
RPL	-	-	-	-
Other	16,607,205	16,877,192	3,810	204,527
<b>Total</b>	<b>28,440,579</b>	<b>16,877,192</b>	<b>25,459,038</b>	<b>12,311,657</b>
<b>Estimated Dividend Rate (cents in \$)</b>	<b>24.61</b>	<b>17.25</b>	-	<b>0.23</b>
<b>Less: Ark Claim</b>		<b>(5,218,698)</b>		
<b>Total (revised unsecured claims)</b>		<b>11,658,494</b>		
<b>Estimated Dividend Rate Excluding ARK claim (cents in \$)</b>		<b>24.98</b>		

We set out below the estimated returns to creditors of RGL under RGAG's DOCA:

Creditor	Estimated Return
Secured Creditor - National Australia Bank	100 cents in dollar
Unsecured Creditors	Up to 0.23 cents in the dollar from assets made specifically available under the DOCA plus any additional assets of RGL existing as at the date of execution of the DOCA after satisfaction of secured and priority claims

- We note that we are yet to determine the validity of Linetime Holdings Pty Ltd's fixed and floating charge over RGL. For the purposes of this analysis we have assumed that the claim would be satisfied in full as a secured claim from RGL's existing assets. This claim will need to be assessed by the Deed Administrators / Liquidators as the case may be to determine its quantum and the validity of the security.

## 10. ASIC's Guide to DOCA's Involving Creditors' Trusts

The ASIC has issued a guide for Registered Liquidators recommending the provision of certain information to creditors when they are considering approving a DOCA which also includes a Creditors' Trust being implemented.

The RGAG DOCA proposal will require that RGL enter into a Creditors' Trust. In this regard, we outline for creditors some important information to consider when considering whether to approve a Creditors' Trust:

## 10.1 What is a Creditors' Trust?

A Creditors' Trust in a DOCA is a mechanism used to accelerate a company's exit from external administration. Typically under the terms of the DOCA and one or more interconnected deeds, a trust entity is created and the company's obligations to some or all of its creditors bound by the DOCA are compromised and transferred to the trust. Those creditors become beneficiaries of the trust.

Usually, the DOCA is "effectuated" (and terminates) after the creditors' claims against the company have been removed in this way. In most cases, the DOCA terminates immediately upon creation of the trust, which usually occurs when or shortly after the DOCA is executed.

When the DOCA terminates, the company ceases to be externally administered, the directors (in this case new directors) regain full control of the company and the company is no longer required to use the notification "Subject to Deed of Company Arrangement" on its public documents as otherwise would be required by Section 450E(2) of the Act.

## 10.2 Reasons for a Creditors' Trust

The Creditors' Trust provides a structure whereby creditors' claims can be dealt with by the Trustee of the Creditors' Trust and the DOCA can end, thereby allowing the company to continue with a clean balance sheet and extinguishment of pre-appointment liabilities.

### Key Events and Terms

If RGAG's DOCA proposal is approved by creditors, a number of key events will occur prior to completion of the DOCA and creation of the Creditors' Trust, including:

- Approval by creditors at the meeting of creditors convened for 19 October 2010 to give effect to the DOCA and execution of the DOCA by 9 November 2010;
- Terms for contracts for sale of forestry land owned by RLPL to Black Tree to be drafted on 19 October 2010;
- In respect of the sale of the properties, subject to NAB's consent the Deed Administrators are to obtain two (2) independent valuations prior to entering into the binding contracts for sale of the properties of which the acquisition prices proposed by the acquiring parties must be greater than the average of these values - October 2010;
- ARK DOCA to be approved by creditors and executed - November 2010;
- Execution of contracts for sale of forestry land owned by RLPL to Black Tree on 4 November 2010;
- Marketing of Rewards Group horticulture land - November 2010;
- Execution of contracts for sale of horticulture land owned by RLPL - December 2010 / January 2011;
- Meetings of growers to be held in January / February 2011 to seek approval to changes to scheme constitutions including potential new Responsible Entity proposals and revision of financial structure and operation of MIS schemes;
- Sale and settlement by ARK of Caboolture property and horticulture properties per ARK's DOCA - February 2011;
- Financial closure for settlement of sale of properties and pay out of NAB debt in full - February / March 2011;
- DOCA terminated and Creditors' Trusts formed February / March 2011; and

- Distributions to unsecured creditors May / June 2011.

During the DOCA RPL will receive funding through the following forms to continue to operate the MIS schemes:

- Black Tree sufficient to convene all necessary grower meetings for Forestry schemes;
- FABAL sufficient to convene all grower meetings for Tropical Fruit schemes;
- Collection of harvest receipts;
- Collection of grower payments; and
- Existing harvest / crop sale arrangements.

The viability of the MIS schemes subject to the DOCA proposal have been assessed by the Proponent. In this regard, the Proponent proposes to put forward a number of constitutional changes for growers' approval to seek to ensure the long term viability of the MIS schemes.

Creditors must note that if any of the conditions precedent under the DOCA are not met or become unlikely to be met then the Deed Administrators may elect to convene a meeting of creditors to consider possible variations or terminate the DOCA.

### Anticipated Return

Please refer to sections 5 and 9.3 of this report for further details regarding the Company's estimated statement of position, estimated returns to creditors and assumptions in relation to these calculations.

### Trustee Particulars

It is proposed that the current Administrators will assume the role of Trustees of the Creditors' Trust should it be approved. By appointing the current Administrators as Trustees of the Trust, there is a cost saving compared with appointing a different Trustee. The Administrators have detailed knowledge of the background to the restructure which a different Trustee would have to acquire at a substantial cost to the Trust.

Under a DOCA, creditors may apply to the Court for orders in relation to the Deed Administrators' performance of their duties under the Act. A beneficiary under a Creditors' Trust could also apply to the Court under the Trustees Act 1962 (WA) in relation to the Trustees' performance of their duties.

### Remuneration and Indemnities

It is proposed that the Trustees would be remunerated on a time incurred basis calculated at rates set down by Ferrier Hodgson from time to time. The current rates are as follows:

	Rate per hour (\$)
Partner	540
Director	475
Manager 1	400
Manager 2	335
Supervisor	295
Senior 1	265
Senior 2	235
Intermediate 1	190
Intermediate 2	160
Junior / Clerk	155
Secretary	135

The estimated fees likely to be incurred under the DOCA and a Creditors' Trust are estimated at \$150,000 exclusive of GST.

It should be noted that this amount is an estimate only and should the actual costs be lower, then it is likely that this will ultimately result in more funds being made available for distribution to creditors and potentially shareholders of the company.

As part of the proposed DOCA and Creditors' Trust, the Deed Administrators and Trustees would have an indemnity secured by a lien over the assets of the company and the trust fund respectively.

## **Powers**

The Trustee of the new trust becomes solely responsible to the former creditors (now beneficiaries) for:

- Ensuring that the company and / or other third parties perform their obligations to the Trustee.
- Determining how much each of the former creditors is entitled to receive from the trust.
- In due course, making any distribution to those former creditors.

In addition to the above, the Trustees are likely to have the following powers:

- To administer the Trust Fund.
- To ensure that the company fulfils its obligations under the DOCA and to take such legal proceedings or other steps as the Trustees think fit to enforce those obligations.
- To fulfil the Trustees' obligations in terms of the DOCA.
- To admit claims to proof in accordance with the provisions of the DOCA and the Trust Deed.
- To make interim or other dividend payments to creditors or distributions of the Trust Fund.
- To appoint agents to do any business or attend to any matter or affairs of the Trust that the Trustee is unable to do or that it is unreasonable to expect the Trustee to do in person.
- To appoint a solicitor, accountant or other professionally qualified person to assist the Trustees.
- To compromise any claim on such terms as the Trustees consider fit.
- Having taken an assignment of all causes of action, to prosecute such of those actions as the Trustees consider fit.
- To do anything else that is necessary or convenient for administering the Trust.

These powers are provided for the benefit of creditors in determining whether to accept the proposed DOCA. However these powers may be varied prior to finalisation of the Trust Deed.

## **Claims**

Creditors will no longer be creditors under the DOCA but will instead become beneficiaries of the Creditors' Trust. For the purpose of determining the admissibility and ranking of creditors'/beneficiaries' claims in the Trust, regulations 5.6.39 to 5.6.72 and Sub-divisions A to E of Division 6 of Part 5.6 of the Act and Regulations shall apply to the Trust and the Trustees as if the references to a Liquidator were references to the Trustees, references to winding up were references to the Trust and with such other modifications as are necessary to give effect to the Trust. To ensure that those provisions apply to the Creditors' Trust, they will be incorporated into the Creditors' Trust to apply as contractual provisions.

For the purposes of any distribution to priority creditors detailed above, any reference to a Liquidator or liquidation under Section 52 of the Superannuation Guarantee (Administration) Act 1992 (Cth), shall read Deed Administrator or Deed Administration respectively for the purposes of the DOCA and Creditors' Trust respectively for the purpose of the Trust Deed.

Creditors, including secured creditors to the extent of the unsecured portion of their debts, will not be permitted to take recovery action against the company for pre-administration debts during the period of the DOCA.

### **Compliance Opinion**

In our opinion, and based upon our discussions with and knowledge of the Proponents, we believe that they are capable of complying with the terms of the DOCA and their obligations to the Trustee if the DOCA proposal is accepted by creditors.

### **Solvency Statement**

At the time the DOCA will be wholly effectuated, RGL will be solvent. This will occur as a result of:

1. Effect on the DOCA on claims against the company, i.e. pre-administration claims being transferred to the Creditors' Trust and as such RGL will have no liabilities other than those incurred by the restructured RGL moving forward.

### **Tax (company/trust)**

Creditors should note that there may be income tax and stamp duty implications for the company and the Trust associated with the abovementioned proposal.

The Trust may be required to register for GST purposes and apply for a new Tax File Number. In addition, the Trustees may also be responsible for lodging income tax returns for the Trust with the Australian Taxation Office.

### **Tax (creditor/beneficiary)**

Our preliminary view is that by assigning creditors' claims to the Trust any dividend paid to creditors would be treated the same as if creditors had received the dividend from the company under Administration. That is, we do not foresee any tax disadvantages to creditors with the proposed DOCA and Creditors' Trust.

The proposed DOCAs and Creditors' Trust also enables the Trustee to make distributions to the beneficiaries of the Trust (as opposed to the repayment of creditors' claims outlined above). Under this scenario however, the Trustee may be required to withhold tax from distributions to non-resident beneficiaries at the applicable tax rates.

Creditors are encouraged to seek their own independent legal advice in relation to the possible taxation consequences of receiving a distribution from the proposed Creditors' Trust.

### **Other**

A copy of the final DOCA will be lodged with ASIC as required and will be available for inspection upon request.

## 11. 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.

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.

### 11.1 Administration to end

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

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

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

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

### 11.2 Winding up of Company

Given the nature and costs involved in realising the Group's assets and potential recoveries in a liquidation scenario, along with the complexity that a R&M has been appointed to RGL and other Group entities it is difficult to determine with any degree of certainty the likely level of return to unsecured creditors that would arise from liquidation. We also note that given that NAB holds various securities and guarantees over the Group not just RGL to secure its entire debt estimated at approximately \$26 million this adds additional complexity to determining the likely return to creditors. However, we are of the opinion that the returns to the creditor body as a whole are likely to be superior in a restructuring scenario compared to a liquidation scenario and returns would likely be more timely.

The costs of winding up the Company's affairs are estimated at \$200,000 (excl GST), though these costs would be considerably higher in the event that the potential claims referred to above at Section 8 of this report are pursued.

### 11.3 Proposed DOCA

It is unclear what the return may be to creditors of RGL given that we have not conducted a valuation of the Group's assets given a R&M has been appointed to various entities within the Group. Notwithstanding this position we are of the view that the DOCA allows for an orderly, timely and structured realisation of RLPL's assets such that the realisation strategy under the DOCA maximises the opportunity for a return to unsecured creditors and pay out of NAB's secured debt in full.

We do however set out below a summary of the anticipated additional funds which may flow to RPL from contributions from growers under the DOCA and the corresponding distribution of these funds through to RMPL, RLPL and RGL and other unsecured creditors of these entities. Please note that this is only an estimate and is based upon:

- The expected recoveries of funds from growers;
- Excludes surplus assets which may be available after satisfaction of NAB debt;
- Current known and likely creditor claims at this point;
- We note that ARK is listed as an unsecured creditor of RMPL in the Group's records for \$5.2M for outstanding rent which is reflected in the unsecured creditor position below. In this regard, we have assessed this debt as likely owing by RPL rather than RMPL given contractual arrangements with ARK. Under the DOCA this outstanding rent is proposed to be satisfied which would reduce the unsecured creditor pool in RMPL or RPL;
- Excludes the Administrators' fees and expenses and other realisation costs; and
- Assumes the secured creditor and employee claims are satisfied from other existing fixed and floating charge assets (in reality a surplus or deficiency may exist following ultimate realisation).

	RPL	RMPL	RLPL	RGL
	(\$)	(\$)	(\$)	(\$)
<b>DOCA Contributions:</b>				
Grower Recoveries to 31 March 2010	3,000,000	-	-	-
Trading Surplus	4,000,000	-	-	-
<b>Total Estimated DOCA Contributions</b>	<b>7,000,000</b>	-	-	-
<i>Dividend Flow</i>				
Dividend from RPL	-	2,883,711	-	28,804
Dividend from RLPL	-	-	-	-
Dividend from RGL	-	28,325	-	-
<b>Total</b>	-	<b>2,912,037</b>	-	<b>28,804</b>
<b>Unsecured Creditor Claims</b>				
RGL	117,028	-	-	-
RMPL	11,716,346	-	25,455,228	12,107,130
RLPL	-	-	-	-
RPL	-	-	-	-
Other	16,607,205	16,877,192	3,810	204,527
<b>Total</b>	<b>28,440,579</b>	<b>16,877,192</b>	<b>25,459,038</b>	<b>12,311,657</b>
<b>Estimated Dividend Rate (cents in \$)</b>	<b>24.61</b>	<b>17.25</b>	-	<b>0.23</b>
<b>Less: Ark Claim</b>		<b>(5,218,698)</b>		
<b>Total (revised unsecured claims)</b>		<b>11,658,494</b>		
<b>Estimated Dividend Rate Excluding ARK claim (cents in \$)</b>		<b>24.98</b>		

In summary, we set out below the estimated returns to creditors of RGL under RGAG's DOCA:

Creditor	Estimated Return
Secured Creditor - National Australia Bank	100 cents in dollar
Unsecured Creditors	Up to 0.23 cents in the dollar from assets made specifically available under the DOCA plus any additional assets of RGL existing as at the date of execution of the DOCA after satisfaction of secured and priority claims

- We note that we are yet to determine the validity of Linetime Holdings Pty Ltd's fixed and floating charge over RGL. For the purposes of this analysis we have assumed that the claim would be satisfied in full as a secured claim from

RGL's existing assets. This claim will need to be assessed by the Deed Administrators / Liquidators as the case may be to determine its quantum and the validity of the security.

It is the Administrators' recommendation that creditors resolve to accept RGAG's DOCA proposal for the following key reasons:

1. The DOCA would allow for an orderly, timely and structured realisation of RLPL's land assets to satisfy the secured creditor's debt (National Australia Bank (NAB)) in full. In this regard, we note that NAB holds security over RGL as well as other entities of the Group to secure its debt and the realisation strategy under the DOCA seeks to satisfy this debt in full in a timely process following which residual assets of RGL would be transferred to a Creditors' Trust and realised by the Trustee for the benefit of unsecured creditors;
2. The DOCA provides for recovery of amounts owed by growers of the various MIS schemes. Thus these recoveries potentially provide for a greater pool of funds available to unsecured creditors in RPL than would arise in a winding up. In this regard, RGL is an unsecured creditor of RPL and thus may receive a greater return than in a winding up of the Company;
3. The DOCA may potentially preserve some value in RGL's investments in various Rewards Group related scheme assets if the MIS schemes subject to the DOCA proposal are continued as proposed which may ultimately be realised for the benefit of creditors; and
4. A Creditors' Trust is proposed to be formed under the DOCA which allows for the preservation of certain legal claims which may be pursued by the Trustee for the benefit of creditors.

We also highlight that there are a number of key risks to completion of the DOCA and these are detailed below:

1. There is a risk that the sale of the properties contemplated under the DOCA do not complete;
2. There is a risk that growers do not approve the variations to be proposed to various MIS scheme constitutions;
3. Uncertainty as to whether the DOCA proposal is acceptable to NAB. We note that at the time of preparing this report we were yet to receive any advice as to whether the DOCA proposal is acceptable to NAB; and
4. Uncertainty as to whether the ARK creditors will agree to the DOCA proposal to be put forward to them in the near future which proposes for the sale of various ARK properties and satisfaction of NAB's debt within ARK.

## 12. Administrators' opinion

As stated in section 11.1 above, the option of the administration ending is clearly not viable. The only remaining options available to creditors is to wind up the Company or accept RGAG's DOCA proposal.

In forming our recommendation to creditors throughout this report, we have considered the following:

- The level of return available to creditors under each option.
- Other alternatives available to the Company.
- The degree of certainty of completion of the DOCA and assessment of risks.
- The timing of payment of a dividend to creditors.

For the reasons set out under section 11.3 of this report the Administrators' recommend that creditors resolve to accept RGAG's DOCA proposal.

### **13. Administrators' remuneration report**

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

### **14. Further queries**

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

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

DATED this 12<sup>th</sup> day of October 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

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

### REMUNERATION REPORT

The Administrators' Remuneration Report, prepared pursuant to Section 449E of the Corporations Act 2001, takes the following format:

#### **Part A**

- A1 Schedule of hourly rates and general guide to staff experience.
- A2 Tasks undertaken by the Administrators and remuneration claimed for the period 1 August 2010 to 15 August 2010.
- A3 Tasks undertaken by the Administrators and remuneration claimed for the period 16 August 2010 to 30 September 2010.
- A4 Administrators anticipated tasks and estimated remuneration for the period 1 October 2010 to 18 October 2010.
- A5 Where Deed Administrators are appointed, a schedule of anticipated tasks and remuneration estimate from 19 October 2010 to the date of execution of the Deed of Company Arrangement (DOCA).
- A6 Where Deed Administrators are appointed, a schedule of the Deed Administrators' anticipated tasks and remuneration estimate for the DOCA period.
- A7 Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and estimated remuneration from 19 October 2010 to the conclusion of the Liquidation.
- A8 Resolutions regarding remuneration to be put to the Creditors at the Reconvened Second Meeting of Creditors convened for 19 October 2010.

#### **Part B**

- B1 Administrators' Disbursements.
- B2 Summary of Receipts and Payments for the period 16 May 2010 to 30 September 2010.
- B3 Other creditor information on remuneration.
- B4 Initial advice to creditors.

This remuneration report must be read in conjunction with the report to creditors dated 12 October 2010.



## PART A

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

Title	Rate (\$)	Experience
Partner/Principal/ Appointee	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	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	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	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	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	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	Generally, 2-3 years chartered accounting or insolvency management experience. University degree, ICAA's CA program commenced.
Intermediate 1	190	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	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	Appropriate skills including machine usage.
Clerk/Junior	135	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 1 August 2010 to 15 August 2010.**

Administrators' fees, based on the tasks detailed below and covering the period 1 August 2010 to 15 August 2010 are **\$23,822.00** (excl. GST)

Task Area	General Description	Includes
<b>Assets</b>  <b>0.70 hours</b> <b>\$164.50</b>	Leasing	<ul style="list-style-type: none"> <li>▪ Corresponded with lawyers regarding leases</li> </ul>
<b>Creditors</b>  <b>66.00 hours</b> <b>\$17,775.00</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Received and followed up creditor enquiries via telephone and email</li> <li>▪ Prepared and maintained the Frequently Asked Questions ('FAQ') document</li> <li>▪ Prepared updates to be posted to the Ferrier Hodgson website</li> <li>▪ Reviewed and prepared correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Corresponded with creditors regarding status of the administration</li> </ul>
	Creditor reports/circulars	<ul style="list-style-type: none"> <li>▪ Finalised Administrators' section 439A report</li> <li>▪ Planning and internal meetings to discuss the preparation of the Administrators' section 439A report</li> <li>▪ Prepared of remuneration reports</li> <li>▪ Finalised of remuneration reports</li> </ul>
	Dealing with proofs of debt ('POD's')	<ul style="list-style-type: none"> <li>▪ Collated creditor listings from information provided by RGL staff</li> <li>▪ Prepared and maintained POD register</li> <li>▪ Entered informal PODs into register and adjudicated upon validity of claims for second creditors meeting</li> <li>▪ Filed informal POD</li> <li>▪ Considering issues relating to quorum for second creditors meeting</li> </ul>
	Meeting of Creditors	<ul style="list-style-type: none"> <li>▪ Received and followed up on creditor queries in relation to the creditors meeting</li> <li>▪ Prepared second meeting documents such as notices, proxies and advertisements</li> <li>▪ Forwarded notice of meeting to all known creditors</li> <li>▪ Conducted internal meetings to prepare for the creditors meeting</li> <li>▪ Prepared and maintained register of proxies</li> <li>▪ Reviewed, adjudicated validity of proxy forms and contacted creditors with invalid proxies</li> <li>▪ Prepared meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting</li> <li>▪ Prepared presentation for the creditors meeting</li> <li>▪ Organised venue for meeting</li> </ul>



Task Area	General Description	Includes
<b>Administration</b>  <b>15.20 hours</b> <b>\$3,860.50</b>	Correspondence	<ul style="list-style-type: none"> <li>▪ Prepared general correspondence to numerous parties</li> <li>▪ Internal meetings to discuss ongoing communications strategy</li> <li>▪ Prepared circulars to creditors providing regular updates in relation to the status of the administration</li> </ul>
	Document maintenance/ file review/ checklist	<ul style="list-style-type: none"> <li>▪ Filed documents</li> <li>▪ Updated employee and creditor contact details</li> <li>▪ Updated filing in reference to new filing system</li> </ul>
	ASIC Forms	<ul style="list-style-type: none"> <li>▪ Prepared and lodged ASIC forms</li> </ul>
	Planning / Review	<ul style="list-style-type: none"> <li>▪ Internal meetings to discuss and delegate key tasks</li> <li>▪ Discussed action plan in relation to Administration</li> </ul>
<b>Trade On</b>  <b>0.40 hours</b> <b>\$76.00</b>	Trade On Management	<ul style="list-style-type: none"> <li>▪ Prepared and authorised payment vouchers</li> <li>▪ Prepared and authorised receipt vouchers</li> </ul>
<b>Investigations</b>  <b>5.00 hours</b> <b>\$1,946.00</b>	Conducting investigation	<ul style="list-style-type: none"> <li>▪ Prepared investigation strategy</li> <li>▪ Obtained and reviewed financial statements</li> <li>▪ Prepared working capital position</li> <li>▪ Reviewed board minutes</li> <li>▪ Internal discussions regarding investigations conducted</li> <li>▪ Completed preliminary investigations</li> </ul>



**A2 (cont) Tasks undertaken by the Administrators and remuneration calculation for the period 1 August 2010 to 15 August 2010.**

Employee	Position	Rate \$	Total		Assets		Creditors		Administration		Trade On		Investigations	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Field, M	Senior Manager	400.00	13.40	5,360.00	-	-	8.40	3,360.00	0.40	160.00	-	-	4.60	1,840.00
Smith, A	Senior Manager	400.00	5.30	2,120.00	-	-	1.50	600.00	3.80	1,520.00	-	-	-	-
Chu, K	Supervisor	295.00	8.80	2,596.00	-	-	8.80	2,596.00	-	-	-	-	-	-
Gauci, S	Senior 1	265.00	8.30	2,199.50	-	-	7.90	2,093.50	0.40	106.00	-	-	-	-
Holmes, S	Senior 1	265.00	1.30	344.50	-	-	-	-	0.90	238.50	-	-	0.40	106.00
Gunnis, J	Senior 2	235.00	26.40	6,204.00	-	-	25.40	5,969.00	1.00	235.00	-	-	-	-
McCann, L	Senior 2	235.00	11.30	2,655.50	-	-	9.30	2,185.50	2.00	470.00	-	-	-	-
Isvariah, V	Senior 2	235.00	0.40	94.00	-	-	-	-	0.40	94.00	-	-	-	-
Webb, G	Senior 2	235.00	3.10	728.50	0.70	164.50	2.40	564.00	-	-	-	-	-	-
Di Menna, A	Intermediate 1	190.00	0.80	152.00	-	-	-	-	0.40	76.00	0.40	76.00	-	-
Puddy, A	Intermediate 1	190.00	2.60	494.00	-	-	1.30	247.00	1.30	247.00	-	-	-	-
Vetten, P	Intermediate 2	160.00	0.30	48.00	-	-	-	-	0.30	48.00	-	-	-	-
Godfrey, A	Intermediate 2	160.00	1.80	288.00	-	-	0.50	80.00	1.30	208.00	-	-	-	-
Linfoot, C	Intermediate 2	160.00	0.50	80.00	-	-	0.30	48.00	0.20	32.00	-	-	-	-
Grove, S	Intermediate 2	160.00	0.20	32.00	-	-	0.20	32.00	-	-	-	-	-	-
Kroon, M	Secretary	155.00	0.30	46.50	-	-	-	-	0.30	46.50	-	-	-	-
Westwood, J	Secretary	155.00	2.10	325.50	-	-	-	-	2.10	325.50	-	-	-	-
Radisich, D	Clerk	135.00	0.30	40.50	-	-	-	-	0.30	40.50	-	-	-	-
Clayton, C	Clerk	135.00	0.10	13.50	-	-	-	-	0.10	13.50	-	-	-	-
<b>Total</b>			<b>87.30</b>	<b>23,822.00</b>	<b>0.70</b>	<b>164.50</b>	<b>66.00</b>	<b>17,775.00</b>	<b>15.20</b>	<b>3,860.50</b>	<b>0.40</b>	<b>76.00</b>	<b>5.00</b>	<b>1,946.00</b>



**A3. Tasks undertaken by the Administrators and remuneration calculation for the period 16 August 2010 to 30 September 2010.**

Administrators' fees, based on the tasks detailed below and covering the period 16 August 2010 to 30 September 2010 are **\$11,851.00** (excl. GST)

Task Area	General Description	Includes
<b>Assets</b>  <b>1.30 hours</b> <b>\$323.50</b>	Interested Parties	<ul style="list-style-type: none"> <li>▪ Correspondence with interested party</li> </ul>
	Other asset-related issues	<ul style="list-style-type: none"> <li>▪ Created list of trade creditors</li> </ul>
<b>Creditors</b>  <b>23.50 hours</b> <b>\$5,630.50</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Received and followed up creditor enquiries via telephone and email</li> <li>▪ Prepared updates to be posted to the Ferrier Hodgson website</li> <li>▪ Reviewed and prepared correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Corresponded with creditors regarding status of the administration</li> </ul>
	Creditor Reports/Circulars	<ul style="list-style-type: none"> <li>▪ Prepared supplementary 439A report to creditors</li> <li>▪ Prepared and finalise circular</li> <li>▪ Finalised supplementary 439A report to creditors</li> </ul>
	Dealing with proofs of debt ('POD's')	<ul style="list-style-type: none"> <li>▪ Prepared and maintained POD register</li> <li>▪ Entered informal POD into register and adjudicated upon validity of claims.</li> <li>▪ Filed informal POD</li> </ul>
	Meeting of Creditors	<ul style="list-style-type: none"> <li>▪ Received and followed up on creditor queries in relation to the creditors meeting</li> <li>▪ Attended and chaired second creditors meeting</li> <li>▪ Answered creditor's queries after meeting</li> </ul>
	Secured creditors	<ul style="list-style-type: none"> <li>▪ Reviewed charge documents and consider terms of repayment under loan facility</li> </ul>
	Committee of Creditors	<ul style="list-style-type: none"> <li>▪ Prepared initial circular to Committee of Creditors and created contact listing</li> <li>▪ Corresponded with committee members to determine availability to attend committee meeting</li> <li>▪ Prepared for and attended Committee of Creditors meeting</li> <li>▪ Prepared and reviewed minutes of committee meeting</li> </ul>
	<b>Administration</b>  <b>21.40 hours</b> <b>\$5,205.00</b>	Correspondence
	Document maintenance/ file review/ checklist	<ul style="list-style-type: none"> <li>▪ Filed documents</li> <li>▪ Updated checklists</li> <li>▪ Updated employee and creditor contact details</li> </ul>
	Insurance	<ul style="list-style-type: none"> <li>▪ Corresponded with Willis regarding ongoing insurance requirements</li> <li>▪ Corresponded with previous brokers</li> </ul>



Task Area	General Description	Includes
<b>Administration (cont)</b>	Planning / Review	<ul style="list-style-type: none"><li>▪ Internal meetings to discuss and delegate key tasks</li><li>▪ Conducted discussions and held internal meetings regarding status/strategy of administration, the progress of the administration and required tasks</li></ul>
<b>Trade On  0.40 hours \$123.00</b>	Trade On Management	<ul style="list-style-type: none"><li>▪ Reviewed and discussed ongoing funding requirements</li><li>▪ Dealt with tax statement issues</li><li>▪ Prepared of receipt vouchers</li><li>▪ Prepared of payment vouchers</li></ul>
<b>Investigation  2.00 hours \$569.00</b>	Conducting investigation	<ul style="list-style-type: none"><li>▪ Corresponded with ATO regarding FOI request and associated cheques</li><li>▪ Corresponded with directors regarding investigations</li></ul>



**A3 (cont) Tasks undertaken by the Administrators and remuneration for the period 16 August 2010 to 30 September 2010.**

Employee	Position	Rate \$	Total		Assets		Creditors		Administration		Trade On		Investigations	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Jones, M	Partner	540.00	0.80	432.00	-	-	0.80	432.00	-	-	-	-	-	-
Saker, A	Partner	540.00	0.20	108.00	-	-	-	-	0.20	108.00	-	-	-	-
Weaver, D	Partner	540.00	0.20	108.00	-	-	0.10	54.00	-	-	0.10	54.00	-	-
Field, M	Senior Manager	400.00	0.70	280.00	-	-	-	-	0.10	40.00	-	-	0.60	240.00
Smith, A	Senior Manager	400.00	4.00	1,600.00	-	-	0.60	240.00	3.40	1,360.00	-	-	-	-
Chu, K	Supervisor	295.00	1.30	383.50	0.30	88.50	0.80	236.00	0.20	59.00	-	-	-	-
Coleman, S	Senior 1	265.00	0.90	238.50	-	-	-	-	0.90	238.50	-	-	-	-
Orzel, B	Senior 1	265.00	0.50	132.50	-	-	-	-	0.50	132.50	-	-	-	-
Gauci, S	Senior 1	265.00	3.40	901.00	-	-	2.50	662.50	0.90	238.50	-	-	-	-
Holmes, S	Senior 1	265.00	0.60	159.00	-	-	-	-	0.40	106.00	0.20	53.00	-	-
Gunnis, J	Senior 2	235.00	4.40	1,034.00	-	-	4.40	1,034.00	-	-	-	-	-	-
McCann, L	Senior 2	235.00	17.50	4,112.50	0.30	70.50	8.30	1,950.50	7.50	1,762.50	-	-	1.40	329.00
Webb, G	Senior 2	235.00	1.40	329.00	0.70	164.50	0.50	117.50	0.20	47.00	-	-	-	-
Wilson, S	Intermediate 1	190.00	0.80	152.00	-	-	0.80	152.00	-	-	-	-	-	-
Puddy, A	Intermediate 1	190.00	1.80	342.00	-	-	-	-	1.80	342.00	-	-	-	-
Smith, C	Intermediate 2	160.00	3.20	512.00	-	-	3.20	512.00	-	-	-	-	-	-
Godfrey, A	Intermediate 2	160.00	1.00	160.00	-	-	0.90	144.00	0.10	16.00	-	-	-	-
Linfoot, C	Intermediate 2	160.00	0.80	128.00	-	-	0.60	96.00	0.20	32.00	-	-	-	-
Grove, S	Intermediate 2	160.00	0.10	16.00	-	-	-	-	-	-	0.10	16.00	-	-
Caldera, G	Secretary	155.00	0.20	31.00	-	-	-	-	0.20	31.00	-	-	-	-
McDermott, J	Secretary	155.00	0.30	46.50	-	-	-	-	0.30	46.50	-	-	-	-
Westwood, J	Secretary	155.00	1.90	294.50	-	-	-	-	1.90	294.50	-	-	-	-
Martin, K	Clerk	135.00	0.50	67.50	-	-	-	-	0.50	67.50	-	-	-	-
Radisich, D	Clerk	135.00	1.10	148.50	-	-	-	-	1.10	148.50	-	-	-	-
Clayton, C	Clerk	135.00	1.00	135.00	-	-	-	-	1.00	135.00	-	-	-	-
<b>Total</b>			<b>48.60</b>	<b>11,851.00</b>	<b>1.30</b>	<b>323.50</b>	<b>23.50</b>	<b>5,630.50</b>	<b>21.40</b>	<b>5,205.00</b>	<b>0.40</b>	<b>123.00</b>	<b>2.00</b>	<b>569.00</b>



**A4. Administrators anticipated tasks and estimated remuneration for the period 1 October 2010 to 18 October 2010.**

Administrators' anticipated fees, based on the tasks detailed below and covering the period 1 October 2010 to 18 October 2010 are estimated to be **\$30,000.00** (excl. GST)

Task Area	General Description	Includes
<b>Assets</b>  <b>47.00 hours</b> <b>\$13,340.00</b>	Sale of business as a going concern	<ul style="list-style-type: none"> <li>▪ Corresponding with interested parties</li> <li>▪ Maintaining interested parties schedule</li> <li>▪ Investigating DOCA and restructuring options</li> <li>▪ Reviewing DOCA proposals received</li> </ul>
	Leasing	<ul style="list-style-type: none"> <li>▪ Corresponding with lessors regarding ongoing lease arrangements</li> <li>▪ Reviewing property listings and leasing schedules</li> <li>▪ Preparing correspondence to lessors regarding various lease issues</li> <li>▪ Liaising with owners/lessors</li> </ul>
<b>Creditors</b>  <b>12.00 hours</b> <b>\$3,465.00</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Receiving and following up creditor and investor enquiries via telephone and email</li> <li>▪ Reviewing and preparing correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Corresponding with creditors regarding status of the administration</li> <li>▪ Assisting creditors with their preparation for the second creditors meeting</li> </ul>
	Creditors reports/circulars	<ul style="list-style-type: none"> <li>▪ Preparing and completing of Administrators' supplementary s439A report</li> <li>▪ Preparing and completing of Administrators' remuneration report</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>▪ Receipting and filing POD's</li> </ul>
	Meeting of Creditors	<ul style="list-style-type: none"> <li>▪ Preparing meeting notices, proxies and advertisements</li> <li>▪ Forward notice of meeting to all known creditors</li> <li>▪ Preparing meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting.</li> <li>▪ Receiving and following up on creditor queries in relation to the creditors meeting</li> <li>▪ Conducting internal meetings to prepare for the creditors meeting</li> <li>▪ Preparing and maintaining register of proxies</li> <li>▪ Reviewing, adjudicating validity of proxy forms and contacting creditors with invalid proxies</li> <li>▪ Preparing presentation for the creditors meeting</li> </ul>
<b>Administration</b>  <b>36.00 hours</b> <b>\$9,185.00</b>	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ Filing of documents</li> <li>▪ File reviews</li> <li>▪ Updating checklists</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Bank account reconciliations</li> <li>▪ Corresponding with bank regarding transfers</li> <li>▪ Maintaining accounts</li> </ul>
	ASIC forms	<ul style="list-style-type: none"> <li>▪ Corresponding with ASIC regarding statutory forms</li> </ul>
	ATO & other statutory reporting	<ul style="list-style-type: none"> <li>▪ Preparing BAS</li> </ul>
	Planning / Review	<ul style="list-style-type: none"> <li>▪ Discussing status of administration</li> <li>▪ Discussing proposed DOCA's</li> <li>▪ Liaising with R&amp;M on various issues</li> </ul>



Task Area	General Description	Includes
<b>Trade On</b>  <b>16.00 hours</b> <b>\$3,610.00</b>	Trade On Management	<ul style="list-style-type: none"><li>▪ Liaising with suppliers</li><li>▪ Liaising with management and staff</li><li>▪ Authorising purchase orders</li><li>▪ Maintaining purchase order registry</li><li>▪ Preparing and authorising receipt vouchers</li><li>▪ Preparing and authorising payment vouchers</li></ul>
	Processing receipts and payments	<ul style="list-style-type: none"><li>▪ Entering receipts and payments into accounting system</li></ul>
<b>Investigation</b>  <b>1.00 hours</b> <b>\$400.00</b>	Conducting investigation	<ul style="list-style-type: none"><li>▪ Investigating matters specifically identified by creditors and investors.</li><li>▪ Completing preliminary investigations</li></ul>



**A4 (cont) Administrators anticipated tasks and estimated remuneration for the period 1 October 2010 to 18 October 2010.**

Employee	Position	Rate		Total		Assets		Creditors		Administration		Trade On		Investigations	
		\$	Hours	\$	Hours	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Jones, M	Partner	540.00	5.00	2,700.00	3.00	1,620.00	-	-	2.00	1,080.00	-	-	-	-	
Field, M	Senior Manager	400.00	3.00	1,200.00	-	-	-	-	2.00	800.00	-	-	1.00	400.00	
Smith, A	Senior Manager	400.00	20.00	8,000.00	10.00	4,000.00	3.00	1,200.00	5.00	2,000.00	2.00	800.00	-	-	
Chu, K	Supervisor	295.00	6.00	1,770.00	4.00	1,180.00	-	-	2.00	590.00	-	-	-	-	
Gauci, S	Senior 1	265.00	5.00	1,325.00	3.00	795.00	-	-	2.00	530.00	-	-	-	-	
Holmes, S	Senior 1	265.00	15.00	3,975.00	5.00	1,325.00	5.00	1,325.00	4.00	1,060.00	1.00	265.00	-	-	
Gunnis, J	Senior 2	235.00	14.00	3,290.00	8.00	1,880.00	4.00	940.00	2.00	470.00	-	-	-	-	
McCann, L	Senior 2	235.00	5.00	1,175.00	3.00	705.00	-	-	1.00	235.00	1.00	235.00	-	-	
Webb, G	Senior 2	235.00	5.00	1,175.00	1.00	235.00	-	-	-	-	4.00	940.00	-	-	
Puddy, A	Intermediate 1	190.00	3.00	570.00	-	-	-	-	-	-	3.00	570.00	-	-	
Godfrey, A	Intermediate 2	160.00	13.00	2,080.00	10.00	1,600.00	-	-	3.00	480.00	-	-	-	-	
Grove, S	Intermediate 2	160.00	10.00	1,600.00	-	-	-	-	5.00	800.00	5.00	800.00	-	-	
McDermott, J	Secretary	155.00	3.00	465.00	-	-	-	-	3.00	465.00	-	-	-	-	
Martin, K	Clerk	135.00	1.00	135.00	-	-	-	-	1.00	135.00	-	-	-	-	
Radisich, D	Clerk	135.00	3.00	405.00	-	-	-	-	3.00	405.00	-	-	-	-	
Clayton, C	Clerk	135.00	1.00	135.00	-	-	-	-	1.00	135.00	-	-	-	-	
<b>Total</b>			<b>112.00</b>	<b>30,000.00</b>	<b>47.00</b>	<b>13,340.00</b>	<b>12.00</b>	<b>3,465.00</b>	<b>36.00</b>	<b>9,185.00</b>	<b>16.00</b>	<b>3,610.00</b>	<b>1.00</b>	<b>400.00</b>	



**A5. Where Deed Administrators are appointed, a schedule of anticipated tasks and remuneration estimate from 19 October 2010 to the execution of the DOCA.**

Administrators' anticipated fees, based on the tasks detailed below and covering the period 19 October 2010 to the execution of the DOCA are estimated to be **\$25,000.00** (excl. GST).

Task Area	General Description	Includes
<b>Assets</b>  <b>34.00 hours</b> <b>\$9,460.00</b>	Assets subject to specific charges	<ul style="list-style-type: none"> <li>▪ All tasks associated with realising a charged asset</li> </ul>
	Debtors	<ul style="list-style-type: none"> <li>▪ Correspondence with debtors</li> <li>▪ Reviewing and assessing debtors ledgers</li> <li>▪ Liaising with debt collectors and solicitors</li> </ul>
	Other assets	<ul style="list-style-type: none"> <li>▪ Tasks associated with realising other assets</li> </ul>
	Leasing	<ul style="list-style-type: none"> <li>▪ Corresponding with lessors regarding ongoing lease arrangements</li> <li>▪ Reviewing lease default notices and corresponding with the Receivers and Managers regarding outstanding payments</li> <li>▪ Reviewing property listings and leasing schedules</li> <li>▪ Preparing correspondence to lessors regarding various lease issues</li> <li>▪ Preparing and issuing notices of intention not to exercise property rights to lessors</li> <li>▪ Liaising with owners/lessors</li> <li>▪ Reviewing lease documents</li> </ul>
<b>Creditors</b>  <b>7.00 hours</b> <b>\$2,260.00</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Receiving and following up creditor and investor enquiries via telephone and email</li> <li>▪ Reviewing and preparing correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Corresponding with creditors regarding status of the administration</li> <li>▪ Assisting creditors with their preparation for the second creditors meeting</li> </ul>
	Creditors reports	<ul style="list-style-type: none"> <li>▪ General reporting to creditors</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>▪ Receipting and filing POD's</li> </ul>
	Meeting of Creditors	<ul style="list-style-type: none"> <li>▪ Draft minutes of meeting.</li> <li>▪ Receiving and following up on investor and creditor queries in relation to the creditors meeting</li> <li>▪ Attending and chairing creditors meeting</li> <li>▪ Responding to stakeholder queries and questions immediately following the meeting</li> </ul>
<b>Administration</b>  <b>25.00 hours</b> <b>\$7,445.00</b>	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ Filing of documents</li> <li>▪ File reviews</li> <li>▪ Updating checklists</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Bank account reconciliations</li> <li>▪ Corresponding with bank regarding specific transfers</li> <li>▪ Maintaining accounts</li> </ul>
	ASIC forms	<ul style="list-style-type: none"> <li>▪ Corresponding with ASIC</li> <li>▪ Lodge copy of DOCA with ASIC</li> </ul>
	ATO & other statutory reporting	<ul style="list-style-type: none"> <li>▪ Preparing BAS</li> </ul>
	Planning / Review	<ul style="list-style-type: none"> <li>▪ Discussing status of administration</li> <li>▪ Liaising with R&amp;M on various issues</li> <li>▪ Review and execute DOCA</li> </ul>



Task Area	General Description	Includes
<b>Trade On</b>  <b>11.00 hours</b> <b>\$3,035.00</b>	Trade On Management	<ul style="list-style-type: none"><li>▪ Liaising with suppliers</li><li>▪ Liaising with management and staff</li><li>▪ Authorising purchase orders</li><li>▪ Maintaining purchase order registry</li><li>▪ Preparing and authorising receipt vouchers</li><li>▪ Preparing and authorising payment vouchers</li></ul>
	Processing receipts and payments	<ul style="list-style-type: none"><li>▪ Entering receipts and payments into accounting system</li></ul>
<b>Investigation</b>  <b>7.00 hours</b> <b>\$2,800.00</b>	Conducting investigation	<ul style="list-style-type: none"><li>▪ Investigating matters specifically identified by creditors and investors.</li><li>▪ Reconstruction of financial statements</li><li>▪ Reviewing company's books and records and Report as to Affairs</li></ul>



**A5 (cont) Where Deed Administrators are appointed, a schedule of anticipated tasks and remuneration estimate from 19 October 2010 to the execution of the DOCA.**

Employee	Position	Rate \$	Total		Assets		Creditors		Administration		Trade On		Investigations	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Jones, M	Partner	540.00	4.00	2,160.00	3.00	1,620.00	-	-	1.00	540.00	-	-	-	-
Field, M	Senior Manager	400.00	6.00	2,400.00	-	-	-	-	2.00	800.00	-	-	4.00	1,600.00
Smith, A	Senior Manager	400.00	20.00	8,000.00	3.00	1,200.00	3.00	1,200.00	7.00	2,800.00	4.00	1,600.00	3.00	1,200.00
Chu, K	Supervisor	295.00	5.00	1,475.00	4.00	1,180.00	-	-	1.00	295.00	-	-	-	-
Gauci, S	Senior 1	265.00	3.00	795.00	3.00	795.00	-	-	-	-	-	-	-	-
Holmes, S	Senior 1	265.00	15.00	3,975.00	6.00	1,590.00	4.00	1,060.00	5.00	1,325.00	-	-	-	-
Gunnis, J	Senior 2	235.00	10.00	2,350.00	7.00	1,645.00	-	-	3.00	705.00	-	-	-	-
McCann, L	Senior 2	235.00	2.00	470.00	2.00	470.00	-	-	-	-	-	-	-	-
Webb, G	Senior 2	235.00	4.00	940.00	-	-	-	-	1.00	235.00	3.00	705.00	-	-
Puddy, A	Intermediate 1	190.00	3.00	570.00	-	-	-	-	-	-	3.00	570.00	-	-
Godfrey, A	Intermediate 2	160.00	7.00	1,120.00	6.00	960.00	-	-	1.00	160.00	-	-	-	-
Grove, S	Intermediate 2	160.00	2.00	320.00	-	-	-	-	1.00	160.00	1.00	160.00	-	-
McDermott, J	Secretary	155.00	1.00	155.00	-	-	-	-	1.00	155.00	-	-	-	-
Radisich, D	Clerk	135.00	1.00	135.00	-	-	-	-	1.00	135.00	-	-	-	-
Clayton, C	Clerk	135.00	1.00	135.00	-	-	-	-	1.00	135.00	-	-	-	-
<b>Total</b>			<b>84.00</b>	<b>25,000.00</b>	<b>34.00</b>	<b>9,460.00</b>	<b>7.00</b>	<b>2,260.00</b>	<b>25.00</b>	<b>7,445.00</b>	<b>11.00</b>	<b>3,035.00</b>	<b>7.00</b>	<b>2,800.00</b>



**A6. Where Deed Administrators are appointed, a schedule of anticipated tasks and remuneration estimate for the DOCA period.**

Deed Administrators' anticipated fees, based on the tasks detailed below and covering the DOCA period are estimated to be **\$150,000.00** (excl. GST).

Task Area	General Description	Includes
<b>Assets</b>  <b>262.25 hours</b> <b>\$76,435.00</b>	Assets subject to specific charges	<ul style="list-style-type: none"> <li>▪ All tasks associated with realising a charged asset</li> </ul>
	Debtors	<ul style="list-style-type: none"> <li>▪ Correspondence with debtors</li> <li>▪ Reviewing and assessing debtors ledgers</li> <li>▪ Liaising with debt collectors and solicitors</li> </ul>
	Other assets	<ul style="list-style-type: none"> <li>▪ Tasks associated with realising other assets</li> </ul>
	Leasing	<ul style="list-style-type: none"> <li>▪ Corresponding with lessors regarding ongoing lease arrangements</li> <li>▪ Reviewing lease default notices and corresponding with the Receivers and Managers regarding outstanding payments</li> <li>▪ Reviewing property listings and leasing schedules</li> <li>▪ Preparing correspondence to lessors regarding various lease issues</li> <li>▪ Preparing and issuing notices of intention not to exercise property rights to lessors</li> <li>▪ Liaising with owners/lessors</li> <li>▪ Reviewing lease documents</li> </ul>
<b>Creditors</b>  <b>34.00 hours</b> <b>\$9,700.00</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Receiving and following up creditor and investor enquiries via telephone and email</li> <li>▪ Reviewing and preparing correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Corresponding with creditors regarding status of the administration</li> </ul>
	Secured creditor reporting	<ul style="list-style-type: none"> <li>▪ Preparing reports to secured creditors</li> <li>▪ Discussing possible restructuring options</li> </ul>
	Creditors reports	<ul style="list-style-type: none"> <li>▪ General reporting to creditors</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>▪ Receipting and filing POD's</li> </ul>
	Meeting of Creditors (if any)	<ul style="list-style-type: none"> <li>▪ Receiving and following up on investor and creditor queries in relation to the creditors meeting</li> </ul>
	Committee of Creditors	<ul style="list-style-type: none"> <li>▪ Prepare initial circular to Committee of Creditors and create contact listing</li> <li>▪ Correspond with committee members to determine availability to attend committee meeting</li> <li>▪ Prepare for and attend Committee of Creditors meeting</li> <li>▪ Prepare and review minutes of committee meeting</li> </ul>
<b>Administration</b>  <b>96.00 hours</b> <b>\$30,110.00</b>	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ Filing of documents</li> <li>▪ File reviews</li> <li>▪ Updating checklists</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Bank account reconciliations</li> <li>▪ Corresponding with bank regarding specific transfers</li> </ul>
	ASIC forms	<ul style="list-style-type: none"> <li>▪ Corresponding with ASIC regarding statutory forms</li> </ul>
	ATO & other statutory reporting	<ul style="list-style-type: none"> <li>▪ Preparing BAS</li> </ul>
	Planning / Review	<ul style="list-style-type: none"> <li>▪ Discussing status of administration</li> <li>▪ Liaising with R&amp;M on various issues</li> </ul>



Task Area	General Description	Includes
<b>Trade On</b>  <b>68.00 hours</b> <b>\$18,455.00</b>	Trade On Management	<ul style="list-style-type: none"> <li>▪ Completing conditions of the DOCA</li> <li>▪ Liaising with suppliers</li> <li>▪ Liaising with management and staff</li> <li>▪ Authorising purchase orders</li> <li>▪ Maintaining purchase order registry</li> <li>▪ Preparing and authorising receipt vouchers</li> <li>▪ Preparing and authorising payment vouchers</li> </ul>
	Processing receipts and payments	<ul style="list-style-type: none"> <li>▪ Entering receipts and payments into accounting system</li> </ul>
<b>Investigation</b>  <b>35.00 hours</b> <b>\$12,650.00</b>	Conducting investigation	<ul style="list-style-type: none"> <li>▪ Investigating matters specifically identified by creditors and investors.</li> <li>▪ Reconstruction of financial statements</li> <li>▪ Reviewing company's books and records and Report as to Affairs</li> <li>▪ Preparing comparative financial statements</li> <li>▪ Preparing deficiency statement</li> <li>▪ Review of specific transactions and liaising with directors regarding certain transactions</li> </ul>
	Examinations	<ul style="list-style-type: none"> <li>▪ Preparing brief to solicitor</li> <li>▪ Liaising with solicitor regarding examinations</li> <li>▪ Attendance at examinations</li> <li>▪ Reviewing examination transcripts</li> <li>▪ Liaising with solicitor regarding outcome of examinations and further actions available</li> </ul>
	ASIC Reporting	<ul style="list-style-type: none"> <li>▪ Liaising with ASIC</li> </ul>



**A6 (cont) Where Deed Administrators are appointed, a schedule of anticipated tasks and remuneration estimate for the DOCA period.**

Employee	Position	Rate \$	Total		Assets		Creditors		Administration		Trade On		Investigations	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Jones, M	Partner	540.00	5.00	2,700.00	1.00	540.00	-	-	4.00	2,160.00	-	-	-	-
Field, M	Senior Manager	400.00	40.00	16,000.00	-	-	5.00	2,000.00	15.00	6,000.00	-	-	20.00	8,000.00
Smith, A	Senior Manager	400.00	106.25	42,500.00	56.25	22,500.00	5.00	2,000.00	25.00	10,000.00	15.00	6,000.00	5.00	2,000.00
Chu, K	Supervisor	295.00	34.00	10,030.00	19.00	5,605.00	-	-	15.00	4,425.00	-	-	-	-
Gauci, S	Senior 1	265.00	17.00	4,505.00	-	-	7.00	1,855.00	10.00	2,650.00	-	-	-	-
Holmes, S	Senior 1	265.00	201.00	53,265.00	161.00	42,665.00	-	-	-	-	20.00	5,300.00	10.00	2,650.00
Gunnis, J	Senior 2	235.00	45.00	10,575.00	15.00	3,525.00	10.00	2,350.00	5.00	1,175.00	15.00	3,525.00	-	-
McCann, L	Senior 2	235.00	10.00	2,350.00	-	-	5.00	1,175.00	5.00	1,175.00	-	-	-	-
Webb, G	Senior 2	235.00	10.00	2,350.00	-	-	-	-	-	-	10.00	2,350.00	-	-
Godfrey, A	Intermediate 2	160.00	10.00	1,600.00	8.00	1,280.00	2.00	320.00	-	-	-	-	-	-
Grove, S	Intermediate 2	160.00	16.00	2,560.00	2.00	320.00	-	-	6.00	960.00	8.00	1,280.00	-	-
McDermott, J	Secretary	155.00	4.00	620.00	-	-	-	-	4.00	620.00	-	-	-	-
Radisich, D	Clerk	135.00	4.00	540.00	-	-	-	-	4.00	540.00	-	-	-	-
Clayton, C	Clerk	135.00	3.00	405.00	-	-	-	-	3.00	405.00	-	-	-	-
<b>Total</b>			<b>505.25</b>	<b>150,000.00</b>	<b>262.25</b>	<b>76,435.00</b>	<b>34.00</b>	<b>9,700.00</b>	<b>96.00</b>	<b>30,110.00</b>	<b>68.00</b>	<b>18,455.00</b>	<b>35.00</b>	<b>12,650.00</b>



**A7. Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and estimated remuneration from 19 October 2010 to the conclusion of the Liquidation.**

Liquidators' anticipated fees, based on the tasks detailed below and covering the period 19 October 2010 to the end of the Liquidation are estimated to be **\$200,000.00** (excl. GST).

Task Area	General Description	Includes
<b>Assets</b>  <b>296.00 hours</b> <b>\$80,570.00</b>	Assets subject to specific charges	<ul style="list-style-type: none"> <li>▪ All tasks associated with realising a charged asset</li> </ul>
	Debtors	<ul style="list-style-type: none"> <li>▪ Correspondence with debtors</li> <li>▪ Reviewing and assessing debtors ledgers</li> <li>▪ Liaising with debt collectors and solicitors</li> </ul>
	Other assets	<ul style="list-style-type: none"> <li>▪ Tasks associated with realising other assets</li> </ul>
	Leasing	<ul style="list-style-type: none"> <li>▪ Corresponding with lessors regarding ongoing lease arrangements</li> <li>▪ Reviewing lease default notices and corresponding with the Receivers and Managers regarding outstanding payments</li> <li>▪ Reviewing property listings and leasing schedules</li> <li>▪ Preparing correspondence to lessors regarding various lease issues</li> <li>▪ Preparing and issuing notices of intention not to exercise property rights to lessors</li> <li>▪ Liaising with owners/lessors</li> <li>▪ Reviewing lease documents</li> </ul>
<b>Creditors</b>  <b>55.00 hours</b> <b>\$16,375.00</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Receiving and following up creditor and investor enquiries via telephone and email</li> <li>▪ Reviewing and preparing correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Corresponding with creditors regarding status of the administration</li> <li>▪ Assisting creditors with their preparation for the second creditors meeting</li> </ul>
	Secured creditor reporting	<ul style="list-style-type: none"> <li>▪ Preparing reports to secured creditors</li> <li>▪ Discussing possible restructuring options</li> </ul>
	Creditors reports	<ul style="list-style-type: none"> <li>▪ General reporting to creditors</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>▪ Receipting and filing POD's</li> </ul>
	Meeting of Creditors	<ul style="list-style-type: none"> <li>▪ Receiving and following up on investor and creditor queries in relation to the creditors meeting</li> <li>▪ Attending and chairing creditors meeting</li> <li>▪ Responding to stakeholder queries and questions immediately following the meeting</li> </ul>
<b>Administration</b>  <b>79.00 hours</b> <b>\$19,885.00</b>	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ Filing of documents</li> <li>▪ File reviews</li> <li>▪ Updating checklists</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Bank account reconciliations</li> <li>▪ Corresponding with bank regarding specific transfers</li> <li>▪ Maintaining accounts</li> </ul>
	ASIC forms	<ul style="list-style-type: none"> <li>▪ Corresponding with ASIC regarding statutory forms</li> </ul>
	ATO & other statutory reporting	<ul style="list-style-type: none"> <li>▪ Preparing BAS</li> </ul>
	Planning / Review	<ul style="list-style-type: none"> <li>▪ Discussing status of administration</li> <li>▪ Liaising with R&amp;M on various issues</li> </ul>



Task Area	General Description	Includes
<b>Trade On</b>  <b>40.00 hours</b> <b>\$10,600.00</b>	Processing receipts and payments	<ul style="list-style-type: none"> <li>▪ Entering receipts and payments into accounting system</li> </ul>
<b>Investigation</b>  <b>257.00 hours</b> <b>\$64,745.00</b>	Conducting investigation	<ul style="list-style-type: none"> <li>▪ Investigating matters specifically identified by creditors and investors.</li> <li>▪ Reconstruction of financial statements</li> <li>▪ Reviewing company's books and records and Report as to Affairs</li> <li>▪ Preparation of comparative financial statements</li> <li>▪ Preparation of deficiency statement</li> <li>▪ Review of specific transactions and liaising with directors regarding certain transactions</li> <li>▪ Preparation of investigation file</li> <li>▪ Lodgement of report with the ASIC pursuant to section 533 of the Act</li> <li>▪ Preparation and lodgement of supplementary report if required</li> </ul>
	Examinations	<ul style="list-style-type: none"> <li>▪ Preparing brief to solicitor</li> <li>▪ Liaising with solicitor regarding examinations</li> <li>▪ Attendance at examinations</li> <li>▪ Reviewing examination transcripts</li> <li>▪ Liaising with solicitor regarding outcome of examinations and further actions available</li> </ul>
	ASIC Reporting	<ul style="list-style-type: none"> <li>▪ Preparing statutory investigation reports</li> <li>▪ Liaising with ASIC</li> </ul>
<b>Dividend</b>  <b>25.00 hours</b> <b>\$7,825.00</b>	Processing Proofs of Debt	<ul style="list-style-type: none"> <li>▪ Preparation of correspondence to potential creditors inviting lodgement of POD</li> <li>▪ Receipts POD's</li> <li>▪ Maintain POD Register</li> <li>▪ Adjudicating POD's</li> <li>▪ Request further information from claimants regarding POD's</li> <li>▪ Preparation of correspondence to claimant advising outcome of adjudication</li> </ul>
	Dividend Procedures (if any)	<ul style="list-style-type: none"> <li>▪ Preparation of correspondence to creditors advising of intention to declare dividend</li> <li>▪ Advertisement of intention to declare dividend</li> <li>▪ Obtain clearance from ATO to allow distribution of company's assets</li> <li>▪ Preparation of dividend calculation</li> <li>▪ Preparation of correspondence to creditors announcing declaration of dividend</li> <li>▪ Advertise announcement of dividend</li> <li>▪ Preparation of distribution</li> <li>▪ Preparation of dividend file</li> <li>▪ Preparation of payment vouchers to pay dividend</li> <li>▪ Preparation of correspondence to creditors enclosing payment of dividend</li> </ul>



**A7 (cont) Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and estimated remuneration from 19 October 2010 to the conclusion of the Liquidation.**

Employee	Position	Rate \$	Total		Assets		Creditors		Administration		Trade On		Investigations		Dividend	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Jones, M	Partner	540.00	5.00	2,700.00	-	-	-	-	5.00	2,700.00	-	-	-	-	-	-
Field, M	Senior Manager	400.00	15.00	6,000.00	-	-	-	-	5.00	2,000.00	-	-	5.00	2,000.00	5.00	2,000.00
Smith, A	Senior Manager	400.00	120.00	48,000.00	50.00	20,000.00	20.00	8,000.00	10.00	4,000.00	10.00	4,000.00	25.00	10,000.00	5.00	2,000.00
Chu, K	Supervisor	295.00	28.00	8,260.00	28.00	8,260.00	-	-	-	-	-	-	-	-	-	-
Gauci, S	Senior 1	265.00	10.00	2,650.00	-	-	-	-	10.00	2,650.00	-	-	-	-	-	-
Holmes, S	Senior 1	265.00	251.00	66,515.00	146.00	38,690.00	5.00	1,325.00	-	-	10.00	2,650.00	80.00	21,200.00	10.00	2,650.00
Gunnis, J	Senior 2	235.00	120.00	28,200.00	20.00	4,700.00	5.00	1,175.00	15.00	3,525.00	10.00	2,350.00	65.00	15,275.00	5.00	1,175.00
Webb, G	Senior 2	235.00	77.00	18,095.00	8.00	1,880.00	25.00	5,875.00	2.00	470.00	-	-	42.00	9,870.00	-	-
Godfrey, A	Intermediate 2	160.00	14.00	2,240.00	14.00	2,240.00	-	-	-	-	-	-	-	-	-	-
Grove, S	Intermediate 2	160.00	80.00	12,800.00	30.00	4,800.00	-	-	-	-	10.00	1,600.00	40.00	6,400.00	-	-
McDermott, J	Secretary	155.00	11.00	1,705.00	-	-	-	-	11.00	1,705.00	-	-	-	-	-	-
Martin, K	Clerk	135.00	5.00	675.00	-	-	-	-	5.00	675.00	-	-	-	-	-	-
Radisich, D	Clerk	135.00	11.00	1,485.00	-	-	-	-	11.00	1,485.00	-	-	-	-	-	-
Clayton, C	Clerk	135.00	5.00	675.00	-	-	-	-	5.00	675.00	-	-	-	-	-	-
<b>Total</b>			<b>752.00</b>	<b>200,000.00</b>	<b>296.00</b>	<b>80,570.00</b>	<b>55.00</b>	<b>16,375.00</b>	<b>79.00</b>	<b>19,885.00</b>	<b>40.00</b>	<b>10,600.00</b>	<b>257.00</b>	<b>64,745.00</b>	<b>25.00</b>	<b>7,825.00</b>



**A8. Resolutions regarding remuneration to be put to the Creditors at the Reconvened Second Meeting of Creditors convened for 19 October 2010**

At the Second Meeting of Creditors of the Rewards Group convened for 19 October 2010, creditors will be asked to consider a number of resolutions in relation to the Administrators' remuneration:

*"That the Administrators remuneration, as set out in the Administrators' remuneration report dated 12 October 2010 for the period 16 August 2010 to 30 September 2010 be fixed in the sum of \$11,851.00 (exclusive of GST)."*

*"That the Administrators' further remuneration, as set out in the Administrators' remuneration report dated 12 October 2010 for the period 1 October 2010 to 18 October 2010 be fixed in accordance with the hourly rates of Ferrier Hodgson up to the sum of \$30,000 (exclusive of GST)."*

If creditors resolve to accept the proposed Deed of Company Arrangement:

*"That the Administrators' remuneration, as set out in the Administrators' remuneration report dated 12 October 2010 for the period 19 October to the date the DOCA is executed, be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$25,000 (exclusive of GST) and the Administrators be authorised to make periodic payments on account of such accruing remuneration."*

*"That the Deed Administrators' remuneration, as set out in the Administrators' remuneration report dated 12 October 2010 be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$150,000 (exclusive of GST) and the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration."*

If the company is placed into Liquidation:

*"That the Liquidators' remuneration, as set out in the Administrators' remuneration report dated 12 October 2010 be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$200,000 (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.

<b>Disbursements</b>	<b>Charges (Excluding GST)</b>
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 30 September 2010

The following receipts and payments were incurred by the Administrators for the period 16 May 2010 to 30 September 2010.

### Operating Account

	\$
<b>Receipts</b>	
Bank Interest	0.24
Pre-Appointment Cash at Bank	167.80
<b>Total Receipts</b>	<b>168.04</b>
<b>Payments</b>	
Bank Charges	(163.15)
<b>Total Payments</b>	<b>(163.15)</b>
<b>Net Receipts / Payments</b>	<b>\$ 4.89</b>

### IPO Account

	\$
<b>Receipts</b>	
Bank Interest	65.07
Pre-Appointment Cash at Bank	89.74
<b>Total Receipts</b>	<b>154.81</b>
<b>Payments</b>	
Bank Charges	(164.01)
<b>Total Payments</b>	<b>(164.01)</b>
<b>Net Receipts / Payments</b>	<b>\$ (9.20)</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 Jamie Gunnis of this office.

Dated this 12th day of October 2010.

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

**Martin Jones**

Joint and Several Administrator of  
Rewards Group Ltd

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# **Annexure 2**

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

# Creditor Information Sheet

## Offences, Recoverable transactions and Insolvent Trading



### Offences

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

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

### Voidable Transactions

#### *Preferences*

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

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

#### *Uncommercial Transaction*

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

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

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



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

### ***Unfair Loan***

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

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

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

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

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

### ***Voidable charges***

Certain charges are voidable by a liquidator:

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

### **Insolvent Trading**

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

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

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

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

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

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

**Important note:** This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

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# **Annexure 3**

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

**CORPORATIONS ACT 2001**

Section 436DA(2)

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

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

**Independence**

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

**Relevant Relationships**

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

Briefly stated, the entities’ roles are as follows:

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

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

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

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

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

#### Prior Engagements with the Insolvent

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

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

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

### **Indemnities**

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

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

Dated this 12<sup>th</sup> day of October 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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**Background Information Regarding the Group**

12 October 2010

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 Perth WA 6000 Australia  
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 phone +61 8 9214 1444  
 fax +61 8 9214 1400  
 email perth@fh.com.au  
 www.ferrierhodgson.com

**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  
 JAKARTA  
 KUALA LUMPUR  
 SINGAPORE  
 TOKYO

**BACKGROUND INFORMATION REGARDING THE GROUP**

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

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

 Affiliated through  
 Zolfo Cooper  
 and  
 Kroll Worldwide  
 UNITED STATES  
 UNITED KINGDOM

### 1. Administrators' Function

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

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

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

At the second meeting of creditors convened on 16 August 2010 creditors of the company resolved to adjourn the meeting for a period of up to forty-five (45) business days to allow further time for the Rewards Growers Advocacy Group Inc (RGAG) to formulate a Deed of Company Arrangement (DOCA) proposal for all or part of the Group and / or schemes. A quorum for Greentree Capital Pty Ltd (GCPL) was not present at this meeting nor a reconvened meeting held on 30 August 2010 and accordingly control of GCPL reverted to the directors of GCPL on this day.

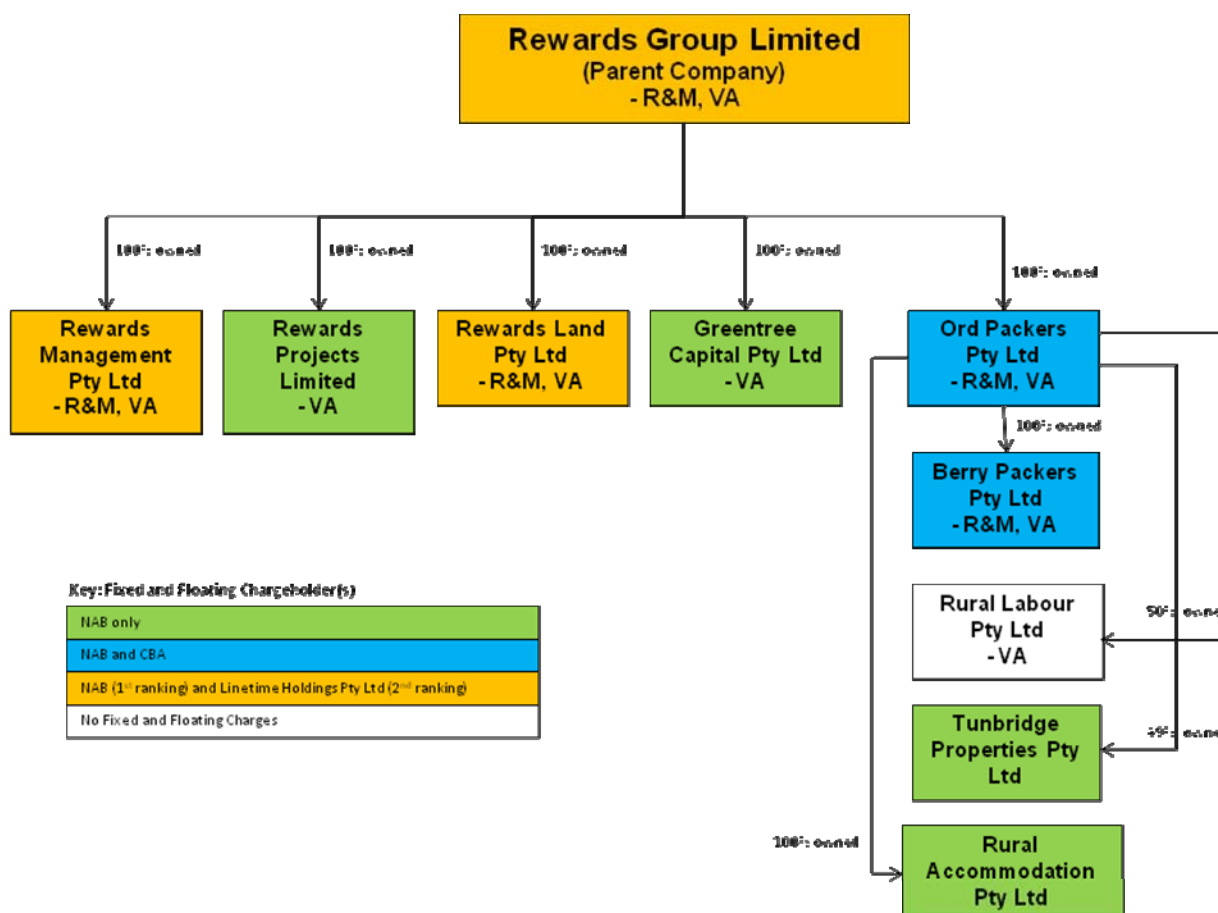
Our role as Joint and Several Administrators of the Group is to control the Group's businesses, properties and affairs to the extent that same are not within the R&M's control, with a view to facilitating the execution of a Deed of Company Arrangement (DOCA) to reorganise the Group's affairs in the event 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 reconvened 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 reconvened second meeting of creditors, convened for Tuesday, 19 October 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).