

PERTH

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9 August 2010

**REWARDS PROJECTS LIMITED
(Administrators Appointed) (the Company)
ACN 089 940 376**

CIRCULAR TO CREDITORS

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

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

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

Affiliated through
Zolfo Cooper
and
Kroll Worldwide
UNITED STATES
UNITED KINGDOM

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

We advise that the second meeting of creditors of the Company convened pursuant to Section 439A of the Act **will be held on Monday, 16 August 2010 at the Kings Perth Hotel, 517 Hay Street, Perth, Western Australia at 11.00am (WST)** for creditors to determine the future of the Company. This meeting will be held concurrently with other entities in the Rewards Group as noted in the Notice of Meeting.

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



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

1. Notice of Meeting

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

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

We note that this meeting will be held concurrently with other entities in the Rewards Group. Although they will be legally separate meetings, we intend to conduct each of the meetings of the Company's at the same time and location and to allow observers to be present at each of the meetings. We believe this approach is necessary and reasonable in order to save costs and allow for an efficient Administration process for all stakeholders, without prejudicing their respective interests.

2. 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 Company or any lien over goods in their possession which are property of the Company.

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

3. Appointment of Proxy form.

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

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

- (a) If you are **attending the meeting in person**, then you need to consider the following action:

(a) Attending the meeting in person		
If you are a/an:	POD	Proxy
Investor in MIS (Person)	✓	X
Investor in MIS (Corporate Entity)	✓	✓
Trade Creditor	✓	✓

- (b) If you are appointing **a representative to attend on your behalf**, then you need to consider the following action:

(b) Appointing a representative to attend on your behalf		
If you are a/an:	POD	Proxy
Investor in MIS (Person)	✓	✓
Investor in MIS (Corporate Entity)	✓	✓
Trade Creditor	✓	✓

- (c) If you are **not attending in person and not appointing a representative** to attend on your behalf, then you can consider:

(c) Not attending in person and not appointing a representative		
If you are a/an:	POD	Proxy
Investor in MIS (Person)	✓	X
Investor in MIS (Corporate Entity)	✓	X
Trade Creditor	✓	X

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

By mail: Ferrier Hodgson
GPO Box 2537
PERTH WA 6001

By email: rewardsgroup@fh.com.au

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.



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

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

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

5. Remuneration report

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

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

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

Further Information

For further information concerning the Voluntary Administration process and Ferrier Hodgson, you may wish to visit our website at www.ferrierhodgson.com. You may also wish to consider the IPAA's website 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 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 Projects Limited

Encl.

CORPORATE ADVISORY 

FORENSICS 

CORPORATE RECOVERY 

FORM 529A

Paragraph 5.6.12(2)

CORPORATIONS ACT 2001

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

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

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

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

AGENDA

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

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

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

DATED this 9th day of August 2010.



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

INFORMAL PROOF OF DEBT FORM FOR CREDITORS

Regulation 5.6.47

**REWARDS PROJECTS LIMITED ACN 089 940 376
(Administrators Appointed) (the Company)**

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 PROJECTS LIMITED ACN 089 940 376
(Administrators Appointed) (the Company)**

**APPOINTMENT OF PROXY
CREDITORS MEETING**

*I/*We¹

of

a creditor of the company/companies indicated above, appoint²

or in his absence

as *my/our *(i) general OR *(ii) special proxy³ to vote at the meeting of creditors to be held on Monday, 16 August 2010 or at any adjournment of that meeting, to vote

(i) on all matters arising at the meeting; OR

(ii) on each of the following kinds of resolution in the manner specified:

Resolutions	For	Against	Abstain
(a) A resolution that the meeting be adjourned for a period not exceeding forty-five (45) business days.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(b) A resolution that the Company be wound up.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(c) A resolution that the administration end.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(d) A resolution that the Company execute a DOCA.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(e) A resolution that the Administrators' remuneration for the period 16 May 2010 to 31 July 2010 as detailed in the Administrators' Report dated 9 August 2010 be approved.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(f) A resolution that the Administrators' estimated future remuneration for the period 1 August 2010 to 15 August 2010 as detailed in the Administrators' Report dated 9 August 2010 be approved.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(g) If the Company is placed into Liquidation: The Liquidators' remuneration be fixed in accordance with the hourly rates of Ferrier Hodgson as detailed in the Administrators' Report dated 9 August 2010 and that the Liquidators be authorised to make monthly payments on account of such accruing remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(h) If the Company is placed into Liquidation: A Committee of Inspection be appointed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(i) If the Company is placed into Liquidation: A resolution that the books and records of the company be disposed of 12 months after the dissolution of the company or earlier at the discretion of the ASIC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* Strike out if inapplicable

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

² Insert the name, address and description of the person appointed.

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

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

OR

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

DATED this day of August 2010

.....
Signature⁵ of individual or person⁶
authorised by corporate resolution to
represent the corporation

OR The Common Seal of⁴

was hereunto affixed in the
presence of

.....
Director / Secretary

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

CERTIFICATE OF WITNESS⁷

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

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

DATED this day of August 2010

.....
Signature of Witness

.....
Description

.....
Place of Residence

⁴ 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.

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

⁶ 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.

⁷ This certificate is to be completed only where the person giving it is blind.

**Rewards Projects Limited
ACN 089 582 427
(Administrators Appointed)**

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

Martin Jones

Darren Weaver

Andrew Saker

9 August 2010



FERRIER HODGSON

LEVEL 26, 108 ST GEORGES TERRACE PERTH WA 6000

GPO BOX W2537 PERTH WA 6001

TELEPHONE 08 9214 1400 FACSIMILE 08 9214 1444

Table of Contents

Glossary of terms	1
1. Executive summary	3
2. Introduction	5
3. Company information	8
4. Historical financial information	14
5. Statement by directors	15
6. Trading by Administrators	19
7. Sale of business and assets	24
8. Statutory investigations	25
9. Creditors' options, dividend estimates & cost estimates	38
10. Administrators' opinion	40
11. Administrators' remuneration report	41
12. Further queries	41

Glossary of terms

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

Listing of annexures

Annexure 1	Administrators' Remuneration Report
Annexure 2	IPA – Creditor Information Sheet – Offences, Recoverable Transactions and Insolvent Trading
Annexure 3	Declaration of Independence, Relevant Relationships and Indemnities
Annexure 4	Group Background
Annexure 5	RGAG letter of support to adjourn meetings of the Group

1. Executive summary

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

A Committee of Creditors was formed for the Company at the first creditors meeting on 26 May 2010. The Committee of Creditors of RPL have since met on two occasions from the date of the first meeting of creditors until the date of this report.

On the 16 May 2010, Peter Anderson, James Thackray and William Harris were appointed as R&M over RGL and RLPL and subsequently on 1 June 2010 were appointed as R&M over RMPL, BPPL and OPPL. A summary of the Group entities, the respective roles, and the Group's strengths and weaknesses is included as **Annexure 4**.

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

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

The Administrators carefully considered and assessed the likely costs and benefits to RPL's creditors and growers in proceeding with the RGAG and CG funding arrangements. In this regard, the Administrators proceeded with the funding arrangements and commenced conducting critical maintenance works for the following key reasons:

- The ongoing property lease costs and maintenance works would be funded by RGAG and CG. However, we note that certain funds such as 2010/2011 management fees collected from growers and harvest proceeds may also supplement this funding to the extent that funds held in the schemes can reasonably and lawfully be utilised by the Administrators of RPL;
- By maintaining the schemes on foot, it is likely that this would enhance RPL's ability to collect outstanding management fees owed by growers and repay RPL for fees and expenses it is entitled to be repaid under the respective scheme constitutions. Such funds repaid to RPL would then ultimately be available to creditors of RPL. The balance of outstanding management fees at appointment was approximately \$14.8M owing to RPL;
- By maintaining the schemes on foot, it is likely that this would enhance RMPL's, CBA's and Investec's ability to collect loan repayments;

- By maintaining the schemes on foot this enhances the possibility of RPL and the Group being restructured which may provide creditors of RPL with a superior return than if the schemes were wound up and RPL placed into liquidation; and
- A restructure of the schemes would also likely preserve value for growers and mitigate any claim that they may have as a creditor against RPL.

Importantly a key issue facing RPL and the ongoing continuation of the schemes it manages relates to maintaining RPL's property leases with RLPL and Ark (as well as other leased properties). In this regard, the Receivers of RLPL and Ark applied to the Court to take possession of the properties leased to RPL. As possession of these properties is critical to the continuation of the schemes RPL opposed these orders and currently retains possession of these properties in accordance with the protection provided under section 440C of the Act. The hearing was originally heard on 30 June 2010, however was adjourned to 28 July 2010. At the adjourned hearing his Honour reserved his decision and at the date of writing this report no decision had been delivered. The outcome once known will be immediately communicated to you.

The second meeting of creditors for RPL has been convened for Monday, 16 August 2010 and will be held at the Kings Perth Hotel, 517 Hay Street, Perth, WA at 11.00 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; or
- Company to execute a DOCA.

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

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

We recommend that creditors resolve to adjourn the second meeting of creditors for a period not exceeding forty-five (45) business days, for the following reasons:

- The adjournment would enable RGAG to finalise its DOCA proposal for the Group for creditors' and growers' consideration;
- The DOCA proposal put forward by RGAG may provide a superior return to creditors than if the Company was immediately wound up and may have benefits for other stakeholders than if the Company was immediately wound up; and
- The RGAG is attempting to find a solution to the Group's/Company's current financial predicament and situation with a view to repaying secured creditors in full, unsecured creditors a better outcome than on a winding up, as well as preserving scheme assets for the benefit of growers.

Whilst the adjournment period is in place, RGAG would continue to provide funding to the Administrators to keep the schemes on foot and conduct maintenance works on various scheme properties. We note

that the RGAG has already contributed a significant amount of funding (approximately \$1.5M) to the Administrators and maintenance works have and are continuing to be conducted on various scheme properties as a result of having being funded by RGAG.

RPL acts as the RE for numerous managed investment schemes that have been established by the Group. This report and accompanying notice of meeting was provided to each of the investors in those schemes on the basis that under the schemes they are owed certain obligations and in certain circumstances they may be entitled to claim as an unsecured creditor. However, the claims are of an indeterminate nature, and as such, the claim is a contingent claim.

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's assets and continued to carry on the Group's business.

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. I am 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;*
 - (iv) *Whether it would be in the creditors' interest for the company to adjourn the second meeting for a period of up to forty five (45) business days;*

and also setting out:

- (v) *His or her reasons for those opinions; and*
- (vi) *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 10 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 RPL, creditors elected the following creditors to a committee of creditors:

Committee of Creditors	Representative
BDO Kendalls Financial Services (VIC) Pty Ltd	Michael Bugelly
Australian Financial Services Ltd	Michael Butler
Holt Norman & Co. Pty Ltd	Peter Holt
A1 Tax	David Bryson
Kimberley Sunrise	Stewart Dobson
The Ark Fund Limited	Julian Dayman
Pankaj Arora	Pankaj Arora
Investec Bank (Australia) Limited	Michael de Rooy

I 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 Julian Dayman resigned from the Committee as Ark was placed into external administration. Neither the R&M or Administrators of Ark have proposed a replacement representative.

2.3 Second meeting of creditors

On 10 June 2010 the Committees of Creditors (for all entities) endorsed an application by the Administrators to extend the convening period for a period of up to three (3) months. This application was approved by the Supreme Court of Western Australia on 11 June 2010 and extended the date by which the Administrators were required to convene the second creditors meetings to 14 September 2010.

Subsequent to 11 June 2010 hearing, the R&M of various entities of the Group opposed the three (3) month extension of the convening period. Following our discussions with the R&M, and in line with the timeframe of the RGAG funding agreement, we agreed with the R&M that the extension of the convening period previously approved by the Court be brought back to 9 August 2010. In this regard, the Court approved this agreement and granted orders to this effect on 29 June 2010.

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

- a) Continue discussions with existing interested parties and further seek expressions of interest with regard to the possible restructure and recapitalisation of the Group or part thereof, ultimately leading to a DOCA proposal being put forward to creditors; and

- b) Conduct and complete our preliminary statutory investigations into the Group's affairs prior to our appointment and formulate an opinion with regard to the future of the Group which is in the best interests of the Group's creditors.

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

At the second meeting, creditors will decide the Company's future in voting on one of the following options:

- That the administration should end and control of the Company revert to its directors; or,
- That the Company should be wound up; or
- That the Company execute a DOCA; or
- That the second meeting of creditors be adjourned for a period not exceeding forty five (45) business days.

We note that no DOCA proposal has been received, and accordingly no resolution to execute a DOCA will be put to creditors.

2.4 Non-disclosure of certain information

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

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

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

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

2.5 Access to Company Books and Records

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

2.6 Declaration of independence, relevant relationships and indemnities

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

3. Company information

3.1 Statutory information

A search of the ASIC database revealed the following information.

3.1.1 Incorporation date and registered office

The ASIC search discloses the Company's incorporation date as 17 September 1999. RPL is an unlisted public company with ten (10) issued ordinary shares and 592,643 redeemable shares as shown below:

Share Type	Number	Amount (\$)	Owner of Shares
Ordinary	10	10.00	RGL
Redeemable	592,643	592,643.00	RGL
Total	592,653	\$592,653.00	

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

3.1.2 Company officers

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

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

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

3.1.3 Shareholders

The ASIC database discloses the Company's shareholder to be RGL.

3.1.4 Registered chargeholders

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

Chargeholder	Charge No.	Date Registered	Type of Charge
Various Growers	942870	12/05/2003	Fixed
Various Growers	942918	12/05/2003	Fixed
Various Growers	942928	12/05/2003	Fixed
Various Growers	942933	12/05/2003	Fixed
Various Growers	942936	12/05/2003	Fixed
Various Growers	943038	12/05/2003	Fixed
NAB	1959331	15/04/2010	Fixed and Floating

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

The NAB holds various securities over the Group including RPL. In this regard, by way of background, the NAB advanced approximately \$6M to RMPL in August 2008 in relation to a Master Asset Facility (financed plant and equipment).

On 23 March 2009, RMPL (the principal borrower) entered into a Market Rate Facility (MRF) with the NAB for a \$13.75M advance. A separate MRF was entered into on 31 March 2010 for an additional \$4M (the use of which we are endeavouring to reconcile). Pursuant to the terms of the additional agreement, the NAB advanced \$4M to RMPL and is entitled to a \$2M fee, that was stated to be due and payable at the earlier of 25 June 2010 or the termination of the Standstill Agreement entered into with the NAB on 29 March 2010 and terminated by the NAB on 14 May 2010.

Under the terms of the facility specific security was granted to the NAB which included a fixed and floating charge over all the present and future rights, property and undertaking of RMPL. Similar fixed and floating charges have been recorded in respect to this facility against RPL, BPPL, OPPL, Rural Accommodation Pty Ltd and Probitas Finance Pty Ltd, though in each case the liability of the guarantee is capped at \$4M. For sake of clarity, the charge tabled above held by NAB against RPL is limited to an amount of \$4M.

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

We note that NAB did not exercise its rights under Section 440A(3) of the Act with respect to the appointment of a R&M to the Company.

3.1.5 Winding up applications

There have been no winding-up applications lodged against the Company based upon searches we have conducted through ASIC.

3.2 Company history

Incorporated on 17 September 1999 in Western Australia, the Company commenced trading as Forest Rewards Ltd from premises on Level 2, 46-50 Kings Park Road, West Perth WA 6005.

On 6 December 2002, Forest Rewards Ltd was renamed Rewards Projects Ltd. RPL commenced trading from the Ground Floor, 50 Colin Street, West Perth WA 6005 on 17 March 2002.

RPL is the RE of a number of registered 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 it is a registered scheme it, is also governed by Chapter 5 of the Act. RPL continues to be the RE for a number of registered managed investment schemes.

In operating the schemes, RPL has leases in respect to land owned predominantly by RLPL and also Ark. Maintaining or renegotiating these leases will be one of the many key aspects to be addressed in seeking to restructure the Company.

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

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

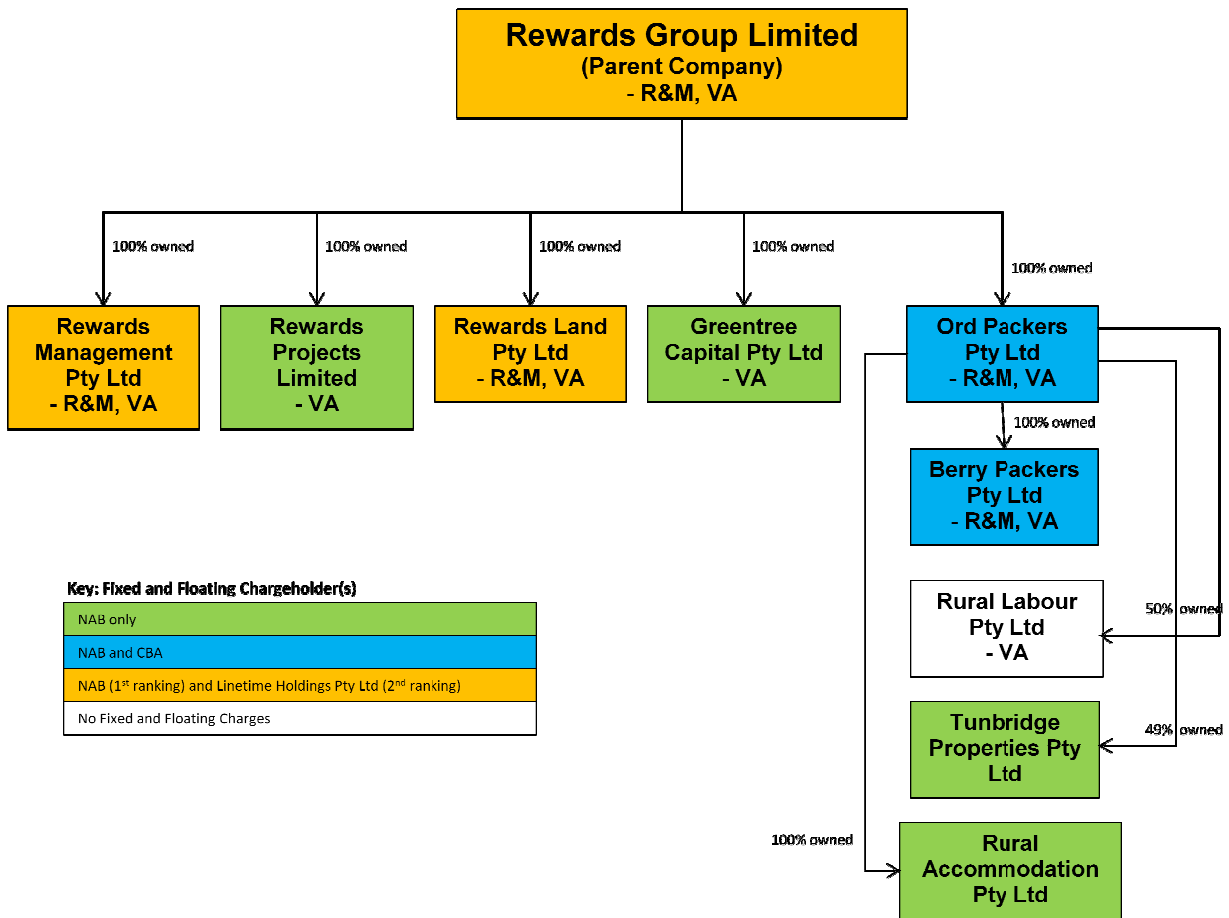
The proceeds of the recapitalisation were to be used to retire bank debt (approximately \$28M) with the balance applied towards enhancing the working capital position of the merged group.

Please refer to section 6 in respect of the proposed merger and specifically the directors reliance on the merger to provide sufficient funding to the Group, which in effect is the basis of the directors defence to any possible (but not yet determined) insolvent trading claim.

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

3.2.1 Group Structure

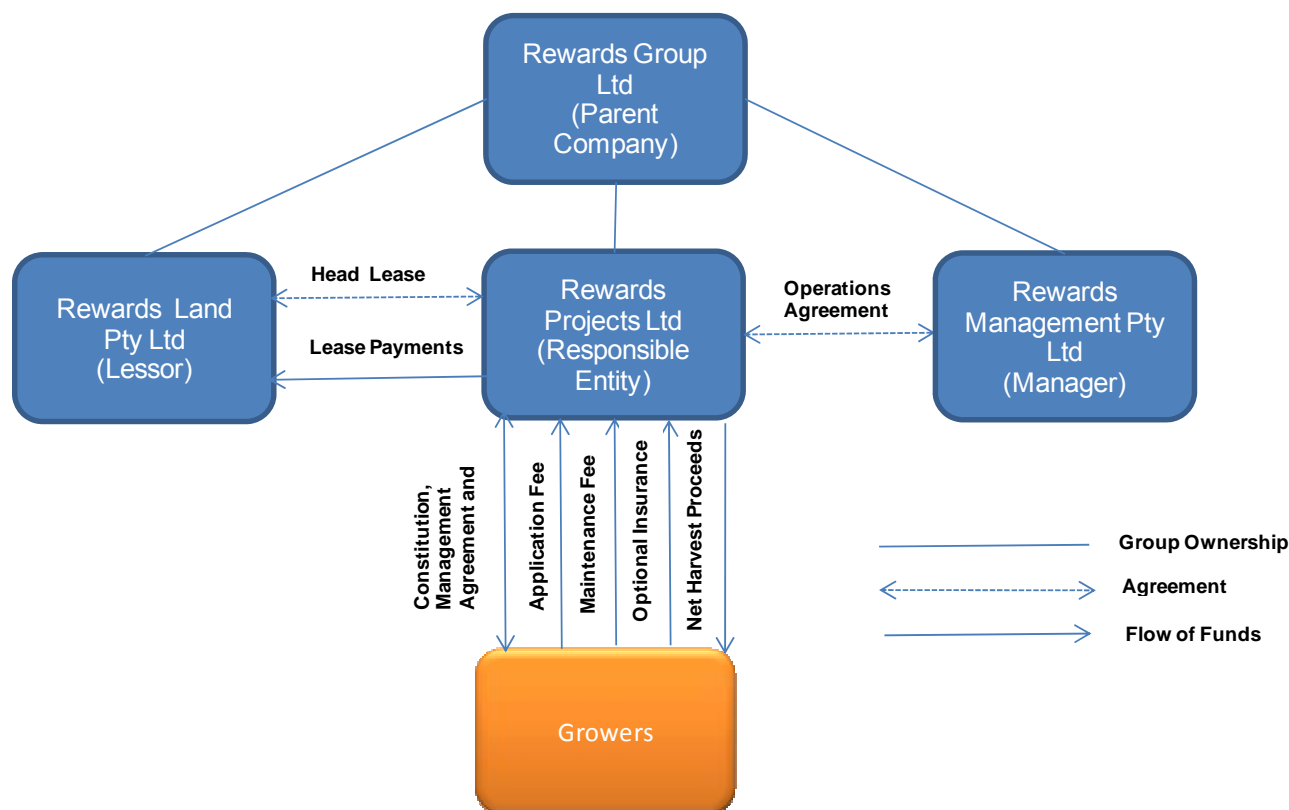
As noted above, RGL is the ultimate holding company of RPL by way of its ownership of one hundred (100) percent of RPL shares on issues. Set out below is a diagram of the Group's corporate structure as at the date of our appointment.



RPL is the RE for the following MIS:

Scheme Code	Project Name	Two Letter Code	Year	Location	No of Units	No of Growers	Term of Project
BR07R1	Rewards Group Berry Project 2007	BR	07	Caboolture QLD	1034	329	10 Years
BR08R1	Rewards Group Berry Project 2008	BR	08	Caboolture QLD and Yarra	2097	423	18 Years
BR08R2	Rewards Group Berry Project 2008	BR	08	Caboolture QLD and Yarra	168	57	18 Years
BW01R1	Forest Rewards Brushwood Retail Project 2001	BW	01	Meckering WA	241	54	20 Years
BW01R2	Forest Rewards Brushwood Retail Project 2001	BW	02	Meckering WA	410	45	20 Years
OL05W1	Ord Orchards Wholesale Land Unit Trust No 1	OL	05	Kununurra WA	1000	36	20 Years
PL01W1	Pemberton Premium Vineyard Land Unit Trust No	PL	04	Pemberton WA	186	16	21 Years
SL05R1	Sandalwood Land Trust	SL	05	Goomalling WA	232	52	20 Years
SL05R2	Sandalwood Land Trust Release 2	SL	06	Goomalling WA	162	15	20 Years
SL05R3	Sandalwood Land Trust Release 3	SL	06	Goomalling WA	59	14	20 Years
SW00R1	Forest Rewards Sandalwood Retail Project 2000	SW	00	New Norcia WA	760	84	20 Years
SW01R1	Forest Rewards Sandalwood Retail Project 2001	SW	01	Goomalling WA	236	47	20 Years
SW02R1	Forest Rewards Sandalwood Retail Project 2002	SW	02	Goomalling WA	132	28	20 Years
SW04R1	Rewards Group Sandalwood Retail Project 2003	SW	03	Goomalling WA	118	31	20 Years
SW04R2	Rewards Group Sandalwood Retail Project 2003	SW	04	Goomalling WA	611	142	20 Years
SW05R1	Rewards Group Sandalwood Retail Project 2005	SW	05	Goomalling WA	2435	479	20 Years
SW05R2	Rewards Group Sandalwood Retail Project 2005	SW	05	Goomalling WA	991	132	20 Years
SW05R3	Rewards Group Sandalwood Retail Project 2005	SW	05	Goomalling WA	2290	446	20 Years
SW07R1	Rewards Group Sandalwood Project 2007	SW	07	Goomalling WA	2454	504	20 Years
SW07R2	Rewards Group Sandalwood Project 2007	SW	07	Goomalling WA	2173	383	20 Years
TC02R1	Forest Rewards Tropical Citrus Retail Project 2002	TC	02	Weero Rd, Kununurra WA	254	37	20 Years
TF03R1	Rewards Group Tropical Fruits Retail Project 2003	TF	03	Packsaddle Rd, Kununurra WA	665	137	20 Years
TF03W1	Rewards Group Tropical Fruits Wholesale Project	TF	03	Packsaddle Rd, Kununurra WA	66	37	20 Years
TF04R1	Rewards Group Tropical Fruits Retail Project 2004	TF	04	Packsaddle Rd, Kununurra WA	900	209	20 Years
TF04W1	Rewards Group Tropical Fruits Wholesale Project	TF	04	Packsaddle Rd, Kununurra WA	105	58	20 Years
TF05R1	Rewards Group Tropical Fruits Retail Project 2005	TF	05	Packsaddle Rd, Kununurra WA	2115	380	20 Years
TF06R1	Rewards Group Tropical Fruits Retail Project 2006	TF	06	Various	3475	385	20 years
TF07R1	Rewards Group Tropical Fruits Retail Project 2007	TF	07	Various	2372	470	20 years
TF08R1	Rewards Group Tropical Fruits Project 2008	TF	08	Various	1333	216	20 years
TK01R1	Forest Rewards Teak Retail Project 2001	TK	01	Lot 15 CWL 523 Tully QLD	120	24	20 Years
TK01R2	Forest Rewards Teak Retail Project 2001 Release	TK	02	Lot 15 CWL 523 Tully QLD	31	14	20 Years
TK03R1	Rewards Group Teak Retail Project 2003	TK	03	Lot 15 CWL 523 Tully QLD	122	34	20 Years
TK03R2	Rewards Group Teak Retail Project 2003 Release	TK	04	Various	1610	348	20 Years
TK05R1	Rewards Group Teak Retail Project 2005	TK	05	Tully QLD and Innisfail	4062	755	20 Years
TK05R2	Rewards Group Teak Retail Project 2005 Release	TK	05	Tully QLD and Innisfail	1064	269	20 Years
TK06R1	Rewards Group Teak Retail Project 2006 Release	TK	06	Tully QLD and Innisfail	2245	483	20 Years
TK06R2	Rewards Group Teak Retail Project 2006 Release	TK	06	Tully QLD and Innisfail	3046	601	20 Years
TK08R1	Rewards Group Teak Project 2008 Release 1	TK	08	Tully QLD and Innisfail	1586	403	20 Years
TL05R1	Teak Land Trust	TL	05	Tully QLD and Innisfail	607	130	20 Years
TL05R2	Teak Land Trust Release 2	TL	05	Tully QLD and Innisfail	152	32	20 Years
TL06R1	Teak Land Trust Release 1	TL	06	Tully QLD and Innisfail	120	35	20 Years
VY01W1	Forest Rewards Premium Vineyard Project 1	VY	03	Ockwell Road, Pemberton WA	35	11	21 Years
VY02W1	Forest Rewards Premium Vineyard Project 2	VY	02	Seven Day Rd, Pemberton WA	60	18	21 Years

An example of the MIS structure utilised within the Group is detailed below:



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 growers, RPL in turn appointed RMPL to perform the services, utilising a management team 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. This matter is discussed further in our investigative section of this report.

3.3 Decision to appoint administrators

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

For further information, please see section 5.2 on the causes of failure of the Company.

4. Historical financial information

4.1 Preparation of financial statements

RPL prepared financial statements up to the financial year ending 30 June 2009 which were audited by Ernst and Young. RPL also prepared various management accounts and reports on a monthly basis.

At section 8.2.4 of this report, we comment on the adequacy of the Company's books and records.

4.2 Profit and loss statement and preliminary analysis

Set out below is a summary of the Company's profit and loss statement for the past two (2) financial years together with our preliminary analysis.

Profit and Loss Summary	30 June 2009 \$	30 June 2008 \$
Project Sales	26,320,000	39,305,932
Ongoing Management Fees	19,934,894	13,382,558
Other Income	8,090	283
Interest Income	291,320	390,176
FV Increment on Investment Properties	113,739	312,613
Total Income	46,668,043	53,391,562
Project Expenses	(46,254,894)	(52,688,490)
Other expenses	891,514	(28,611)
Total Expenses	(45,363,380)	(52,717,101)
Profit/(Loss) Before Income Tax	1,304,663	674,461
Income Tax Expense	(397,279)	(210,813)
Net Profit/(Loss)	907,384	463,648

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

- Project sales represent the upfront establishment fee contributed by growers. We note that RPL experienced a significant decline in project sales for year ending 30 June 2009;
- Project expenses consists of management fees paid to RMPL and land rental;
- Other expenses consist of professional service fees and finance charges;
- RPL has been operating at a profit since June 2008; and
- Reduction in total expenses for the period year ending 30 June 2008 to year ending 30 June 2009 is due to a reduction in management fees paid to RMPL.

4.3 Balance sheet and preliminary analysis

A summary of the Company's balance sheet for the past two (2) financial years and 16 May 2010 is set out below together with our preliminary analysis:

Balance Sheet	16 May 2010 \$	30 June 2009 \$	30 June 2008 \$
Assets			
Current assets	(222,728)	14,872,807	(243,766)
Non-current assets	23,307,436	7,769,361	19,026,870
Total Assets	23,084,708	22,642,168	18,783,104
Liabilities			
Current liabilities	(15,157,000)	(15,281,124)	(145,278)
Non-current liabilities	(427,093)	(427,093)	(12,611,260)
Total Liabilities	(15,584,093)	(15,708,217)	(12,756,538)
Surplus/(Deficiency)	7,500,615	6,933,951	6,026,566

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

- Current assets consists of cash at bank, accounts receivable and prepayments;
- The increase in current assets from 30 June 2008 is due to prepayments of \$15.1M being recognised in the financial statements for year ending June 2009. We note that there is a corresponding entry for deferred income in RPL's current liabilities;
- Non-current assets consists of maintenance funds, RPL's investment in Ark and some land interests;
- Current liabilities consists of current tax payable, deferred income and accruals; and
- RPL's net asset position has been positive and increasing over the two (2) year period.

5. Statement by directors

5.1 Summary

Section 438B of the Act requires the directors to give an Administrator a Statement. We received the directors' Statements on 1 June 2010 and the various statements are consistent. Accordingly, they are referred to hereafter as one.

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

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

Statement as at 16 May 2010	Report Reference	Cost or Net Book Value \$	Administrators' ERV \$
Assets:			
Interest in Land	5.1.1	1,015,045	Unascertained
Debtors		319	Unascertained
Other Assets	5.1.2	6,139,834	Unascertained
Sub Total		7,155,198	Unascertained
Less amounts owing under charges	5.1.3		Unascertained
Total Available Assets to Unsecured Creditors		7,155,198	Unascertained
Ordinary unsecured creditor claims	5.1.4	(338,677)	(338,667)
Estimated Surplus/(Deficiency)		6,816,521	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 the Company's liability position only.

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

We also note that RPL acts as the RE for numerous managed investment schemes that have been established by the Group. This report and accompanying notice of meeting was provided to each of the investors in those schemes on the basis that under the schemes they are owed certain obligations and in certain circumstances they may be entitled to claim as an unsecured creditor. However, the claims are of an indeterminate nature, and as such, the claim is a contingent claim.

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

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

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

- The Administrators are not presently in a position to confirm (or otherwise establish) the asset values attributed by the directors and the Group records due to the confidential and commercially sensitive nature of such information to the sale/restructuring process;
- The value of creditor claims remains subject to change as further claims may be received and require adjudication; and
- The estimated position does not provide for possible future trading losses, capital costs or the professional costs associated with the administration and receivership process.

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

5.1.1 Interest in Land

The statement provided by the directors discloses that RPL has the following interest in land:

Interest in Land	Amount \$
Property Revaluation	467,365
Sandalwood 2001 Land	361,680
Brushwood Land	186,000
Total	\$1,015,045

5.1.2 Other Assets

The directors' Statement (and consistent with the Company's records) indicates the value of other assets to be as follows:

Other Assets	Amount \$
Planting Services Fund	1,094,449
Maintenance Fund	2,496,107
Shares in The Ark Fund Limited (Book Value)	2,549,278
Total	\$6,139,834

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

- The planting services fund was established for the purposes of setting aside funds to plant the teak and sandalwood trees in respect of the PT09 scheme. As discussed in section 8 of this report, the Company has not entered into lease agreements for the purposes of establishing the scheme as at the date of writing this report;
- The maintenance fund is established with respect to each forestry scheme pursuant to the constitution. In this regard the RE can draw down on the funds, upon authorisation from an independent forester, on an annual basis to conduct critical maintenance works with respect to the schemes; and
- The book value of the 14% shareholding in Ark is tabled above. We note that Ark has had voluntary administrators appointed and the value of the shares will be subject to any possible successful recapitalisation proposal being implemented which may preserve some value for RPL.

5.1.3 Secured creditors

Chargeholder	Charge No.	Date Registered	Type of Charge	Outstanding Liability
National Australia Bank Limited	1959334	15/04/2010	Fixed and Floating	\$4M

As mentioned in 3.1.4, the NAB holds various securities over the Group including RPL. In this regard, by way of background, the NAB advanced approximately \$6M to RMPL in August 2008 in relation to a Master Asset Facility (financed plant and equipment).

On 23 March 2009, RMPL (the principal borrower) entered into a Market Rate Facility (MRF) with the NAB for a \$13.75M advance. A separate MRF was entered into on 31 March 2010 for an additional \$4M (the use of which we are endeavouring to reconcile). Pursuant to the terms of the additional agreement, the NAB advanced \$4M to RMPL and is entitled to a \$2M fee, that was stated to be due and payable at the earlier of 25 June 2010 or the termination of the Standstill Agreement entered into with the NAB on 29 March 2010 and terminated by the NAB on 14 May 2010.

Under the terms of the facility specific security was granted to the NAB which included a fixed and floating charge over all the present and future rights, property and undertaking of RMPL. Similar fixed and floating charges have been recorded in respect to this facility against RPL, BPPL, OPPL, Rural Accommodation Pty Ltd and Probitas Finance Pty Ltd, though in each case the liability of the guarantee is capped at \$4M. For sake of clarity, the charge tabled above held by NAB against RPL is limited to an amount of \$4M.

5.1.4 Ordinary unsecured creditors

The Directors Statement summarises the ordinary unsecured creditors as follows:

Unsecured Creditor	Value
	\$
RGL	117,028
RMPL	221,649
Total Unsecured Creditors	\$338,677

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.

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

5.1.5 Omissions from Statement

Save for my previous comments regarding specific disclosures in the Statement, there are no material omissions from the directors' Statement. However, we note the contingent claims may exist by growers against each scheme with respect to their investment and ultimately RPL as RE. In this regard, we note that we have not made a determination of the validity of such claims lodged to date at this point given the current status of the administration.

5.2 Explanation for current financial position

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

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

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

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

6. Trading by Administrators

6.1 Overview

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

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

Administrators' assessment of continuing the schemes

The Administrators carefully considered and assessed the likely costs and benefits to RPL's creditors and growers in proceeding with the RGAG and CG funding arrangements. In this regard, the Administrators proceeded with the funding arrangements and commenced conducting critical maintenance works for the following key reasons:

- The ongoing property lease costs and maintenance works would be funded by RGAG and CG. However, we note that certain funds such as 2010/2011 management fees collected from growers and harvest proceeds may also supplement this funding to the extent that funds held in the schemes can reasonably and lawfully be utilised by the Administrators of RPL;
- By maintaining the schemes on foot, it is likely that this would enhance RPL's ability to collect outstanding management fees owed by growers and repay RPL for fees and expenses it is entitled to be repaid under the respective scheme constitutions. Such funds repaid to RPL would then ultimately be available to creditors of RPL. The balance of outstanding management fees at appointment was approximately \$14.8M owing to RPL;
- By maintaining the schemes on foot, it is likely that this would enhance RMPL's, GCPL's, CBA's and Investec's ability to collect loan repayments;
- By maintaining the schemes on foot this enhances the possibility of RPL and the Group being restructured which may provide creditors of RPL with a superior return than if the schemes were wound up and RPL placed into liquidation; and
- A restructure of the schemes would also likely preserve value for growers and mitigate any claim that they may have as a creditor against RPL.

To date funds totalling approximately \$1.5 million have been advanced by RGAG to the Administrators of RPL pursuant to the loan agreement approved by the Court on 30 June 2010. We note that the loan agreement has now been extended to 31 August 2010.

Importantly a key issue facing RPL and the ongoing continuation of the schemes it manages relates to maintaining RPL's property leases with RLPL and Ark (as well as other leased properties). In this regard, the R&M of RLPL and Ark applied to the Court to take possession of the properties leased to RPL. As possession of these properties is critical to the continuation of the schemes RPL opposed these orders and currently retains possession of these properties in accordance with the protection provided under section 440C of the Act. The hearing was originally heard on 30 June 2010, however was adjourned to 28 July 2010. At the adjourned hearing his Honour reserved his decision and at the date of writing this report no decision had been delivered. The outcome once known will be immediately communicated to you.

Whilst I have not adopted any of the property lease contracts between RPL and RLPL and Ark I am aware of RPL's obligations under these leasing arrangements and have reviewed the leasing agreements. In particular, pursuant to the leasing agreements between RPL and RLPL and Ark, I note that RPL is required to:

- Carry on the business of farming in a proper and efficient manner and shall apply for, maintain and keep in force all licences or permits which may be necessary or required to conduct such tree farming on the leased premises.

- Farm, manage and cultivate the leased premises in a proper and skilful manner according to and utilising the best practices and approved horticultural / sivicultural methods utilised in or applicable to the district in which the leased premises are located.

Since my appointment I consider that RPL under my control has taken reasonable and appropriate steps to ensure compliance with the aforementioned obligations and other obligations under the lease agreements. In this regard, I have taken the following steps:

- Engaged with an independent agricultural consultant to provide a report on the condition of the properties and required critical maintenance works (report prepared by Jerome Gumley of Koojedda Consulting);
- Developed a maintenance plan in conjunction with RGAG, the aforementioned report from the independent agricultural consultant and with reference to the R&M's immediate schedule of works provided on 22 June 2010;
- Commenced maintenance works in accordance with the plan above;
- Remitted payments since my appointment to date in respect of the financial obligations due by RPL to RLPL, Ark and other landlords under the lease agreements; and
- Attempted to negotiate with the R&M to hire site operational employees (with success but without full use yet) and critical plant and equipment to conduct maintenance works (without success).

I note critically that I was not permitted by the R&M of RMPL to engage directly with key site operational employees to consider and assess our maintenance plan above. From a practical perspective this has hampered our ability to assess the critical maintenance works required nonetheless we have undertaken what we consider to be prudent and appropriate steps in the circumstances as noted above in formulating an appropriate maintenance plan and undertaking the works.

Availability of Funds

Subsequent to the loan agreement been approved by the Court I have continued to make an assessment of the funds which may be available to RPL to conduct critical maintenance works which are contemplated as funds which form part of RGAG's funding arrangements under the loan agreement. Such funds include management fee collections, proceeds held in harvest accounts and proceeds held in forestry maintenance accounts. The availability of these funds is further discussed below.

Forestry schemes

In respect of the forestry schemes and maintenance works to be conducted I assessed the availability of the maintenance funds held in trust which existed at the date of my appointment totalling \$2.5 million.

Use of the maintenance funds is governed by the provisions of the respective forestry scheme constitutions and in this regard one of the conditions to be satisfied before RPL may use funds for the 2010 / 2011 financial year is approval from an Independent Forester. In this regard, Dr Nicholas Malajczuk, managing director of Treetec Consulting Pty Ltd was engaged to provide this independent assessment. We understand that Mr Malajczuk previously approved prior year's release of maintenance funds for the forestry schemes.

Mr Malajczuk provided his independent report to me on 6 July 2010 confirming that part (\$625,560.12 in total across all forestry scheme maintenance accounts) of the funds held in the maintenance fund trust account may be utilised for ongoing services of the forestry schemes for the 2010 / 2011 financial year.

I proceeded to make arrangements to immediately undertake critical maintenance works which are discussed further in this report given the availability of these funds.

Tropical Fruit Schemes

In respect of the tropical fruit schemes and maintenance works to be conducted I assessed the availability of the following sources of funds being available to conduct these works:

- Proceeds in tropical fruit schemes harvest accounts
- Management fees collectable from growers

In respect of the harvest proceeds accounts I conducted a review and reconciliation of pre and post appointment proceeds which were deposited into these various harvest accounts.

I also sought legal advice with respect to the same and advice provided to me on 6 and 9 July 2010 confirmed that I may proceed to utilise these funds in accordance with clause 11 of the respective scheme constitutions. Having regard to the priority of distribution set out in clause 11.1 (b) of the constitutions and given the extent of the amounts owed to RPL for outstanding management fees, the funds held currently in the harvest accounts are not available to growers for distribution.

In respect management fees to be collected from growers I also sought legal advice regarding RPL's rights to invoice 2010 / 2011 management fees and utilisation of the same. This included advice from Sam Rosewarne of Dawson Chambers on 8 July 2010. In this regard, the advice sought confirmed RPL may proceed to invoice 2010 / 2011 management fees and utilise the funds in accordance with the responsible entity's powers under clause 6 of the scheme constitutions.

Following the above, with the assistance of RGAG, I advise that 2010 / 2011 management fee invoices were issued to growers of the tropical fruit schemes on 12 July 2010 totalling approximately \$2.8 million. We requested that growers pay amounts within 14 days given the urgency of funds required, however noted that under the constitution payments were required to be made within 30 days. The Administrators have established a new trust account whereby all collections of the 2010 / 2011 management fees are to be deposited. These funds continue to be reconciled upon receipt and will be allocated on a scheme by scheme basis to be utilised for expenses in accordance with the constitution.

CG has continued to fund the operations of the berries schemes and harvesting has continued.

Service Agreement between RPL and RMPL

On 14 July 2010 I provided a notice of termination pursuant to clause 5.2 of the Service Agreement between RPL and RMPL made on 30 June 2006 by which RPL engaged RMPL to undertake the day-to-day operations of the schemes managed by RPL. This notice was served given that the R&M's of RMPL were not for-filling their obligations to RPL under the Agreement and as such this inhibited RPL's ability to run the schemes.

Pursuant to clause 5.4 of the agreement, upon termination RMPL was required to negotiate in good faith to establish a hand-over plan with RPL and in accordance with the hand-over plan:

- (a) Deliver to RPL all of the data, records, documents and information relating to the Business (as defined in the Service Agreement).
- (b) Transfer to RPL all employees and contractors engaged by RMPL in connection with the Business.

- (c) Transfer or assign to RPL, RMPL's interest in all assets, intellectual property, equipment, leases, contracts or agreements acquired, used or entered into in connection with the Business.

I requested that the above be undertaken as soon as possible. The R&M responded by way of letter dated 15 July 2010 advising that given that all of the assets and undertakings of RMPL and RPL are the subject of the NAB charge that the items above will remain in their control as Receivers for the foreseeable future.

Maintenance plan developed and works commenced

We confirm that we engaged Jerome Gumley, independent agricultural consultant from Koojeda Consulting on 22 June 2010 to conduct a report on the critical maintenance works required on the properties and condition of the properties. We received this report on 6 July 2010. A copy of this report was also specifically provided to the R&M of RMPL and Ark on 14 July 2010.

Upon receipt of the above report from Jerome Gumley, we liaised with RGAG and RPL contractors to finalise a short-term maintenance plan. This plan was prepared with careful consideration of the Receivers' plan provided to me on 22 June 2010.

RPL has continued to conduct maintenance works in accordance with this plan.

A summary of the key works undertaken and continuing to be undertaken on the main properties since early July 2010 is discussed below:

Childers

- G & N Gallo Contracting have conducted critical pruning works at Childers. Elevated platforms were sourced and hired from Coates Hire to assist with pruning higher level branches of trees. Following completion of pruning G & N Gallo Contracting were engaged to conduct fruit thinning which has commenced.

Simpson Farms continues to conduct ground spraying to control weed growth and pests. All works continue to be overseen by Hortus Technical Services, an independent agronomic services company.

Kumbia

- G & N Gallo Contracting continue to conduct critical pruning works at Kumbia. Elevated platforms have also been hired from Coates Hire to assist with pruning higher level branches of trees. G & C Patterson have been engaged to conduct ground spraying to control weed growth and pests. All works continue to be overseen by Hortus Technical Services.

Dandaragan

- Go Work Contractors and Labour Solutions have been engaged to conduct critical pruning works for the peach, plum and nectarine crops. This work continues to be overseen by Nathan Ainsworth, a former site manager. As previously advised, various chemicals have also been purchased from Landmark for application to protect the crop. At present we continue to negotiate with a number of contractors to hire equipment and labour to conduct spraying of the crop.
- We also understand that the mango crop at Dandaragan may have recently been affected by frosts, however the extent of any damage is unlikely to be fully known until late spring / summer when the mango crop begins its next growth cycle. We will continue to monitor the crop and are

in the process of engaging an independent agronomist to assess and provide a report on the crop.

Kununurra

- Go Work Contractors were engaged to remove rotting fruit from the property which has been completed. Following completion of this work, Go Work Contractors were engaged to conduct critical pruning works at Kununurra. This work is continuing to be overseen by Kimberley Produce who also continue to irrigate the property.

Mareeba

- Labour Solutions has been engaged to commence pruning works on the property which commenced last week. Furthermore, spraying and misting of the crop is being conducted by United Farming.

Teak Properties (QLD)

- Sprayers were engaged in early July 2010 to conduct aerial spraying at the far north Queensland teak properties. This spraying was delayed due to adverse weather conditions but has now been completed. Ground spraying and slashing by Repos Landcare is also continuing to be conducted. These works are aimed at reducing and controlling weed growth and reducing the risk of fire.
- We wrote to the Queensland Government on 22 July 2010 enclosing our plan to address concerns raised over weed growth and fire risk with respect to the Teak properties in far north Queensland. The Queensland Government has not raised any issues with regard to our plan and works are being undertaken in accordance with this plan.
- The above works are being overseen by Tony Sturre who is employed by RMPL under the Receivers' control, following agreement by the Receivers.

6.2 Summary of receipts and payments

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

7. Sale of business and assets

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

RGAG's funding arrangement provides RGAG with exclusivity to information pertaining to the Group until 31 August 2010 (so long as funding remains in place) to liaise with the Administrators with a view of putting forward a restructuring / DOCA proposal for all or part of the Group and / or schemes managed by the Group (excluding, brushwood, berries and vineyards schemes) for growers' and creditors' consideration, as applicable. RGAG are not currently in a position to provide the

Administrators with a restructuring proposal which can be put forward to creditors' and growers'. In this regard, RGAG require further time to complete their due diligence and formulate their proposal.

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

8. Statutory investigations

8.1 Nature and scope of review

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

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

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

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

An administrator is not obliged to carry out investigations to the same extent as a liquidator. A liquidator may require many months of investigation and conduct public examinations before forming a concluded view on recovery action. We investigated matters to the extent possible in the time available, and have noted with specific reference below where we believe further investigation is desirable.

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

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

8.2 The Company's solvency

8.2.1 Overview

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

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

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

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

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

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

- The degree of illiquidity. A temporary lack of liquidity is not conclusive;
- Regard should be had to:
 - Cash resources; and
 - Monies available through asset realisations, borrowings against the security of assets or equity/capital raising;
- All a company's assets might not be relevant when considering solvency. For example, where a company proposes selling assets which are essential to its business operations, the proceeds of those assets should not be taken into account;
- The voluntary and temporary forbearance by creditors not to enforce payment terms; and
- It is not appropriate to base an assessment of whether a company can meet its liabilities as and when they fall due on the prospect that a company might trade profitably in the future.

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

8.2.2 Director's Liability

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

Section 588G(2) of the Act provides that a director who fails to prevent a company from incurring a debt at a time when the director is aware that there are reasonable grounds for suspecting that the company is insolvent, or will become insolvent by incurring that debt or debts including that debt,

contravenes section 588G of the Act. This may result in a civil penalty under the Act. For example, a compensation order in favour of the company under section 588J of the Act.

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

For civil liability to apply:

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

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

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

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

8.2.3 Preliminary determination

Set out below is a summary of our preliminary investigations and our preliminary determination as to the Company's solvency based on information readily available to the Administrators. This area requires further work to be conducted by a liquidator (if one is ultimately appointed) before we will be able to form a definitive position.

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.

Background

RPL was established for the purpose as acting as the RE for various managed investment schemes. RPL was originally named Forrest Rewards. The key responsibilities of a RE is defined under Part 5C.2 of the Act, which include, but not limited to, the following:

- Act honestly;
- Exercise the degree of care and diligence that a responsible person would exercise if they were in the RE's position;

- Act in the best interest of members, and, if there is a conflict between the members' interests and its own, give priority to the members' interest;
- Treat members equally;
- RE holds scheme property on trust for scheme members; and
- For the directors and officers to act honestly and diligent as part of their role in dealing with trust property.

In addition to the above, the RE is responsible for for-filling its obligations pursuant to the relevant scheme constitutions.

We note that a service agreement was entered into between RPL and RMPL prior to our appointment. On 14 July 2010 I provided a notice of termination pursuant to clause 5.2 of the Service Agreement between RPL and RMPL made on 30 June 2006 by which RPL engaged RMPL to undertake the day-to-day operations of the schemes managed by RPL. This notice was served given that the R&M's of RMPL were not for-filling their obligations to RPL under the Agreement and as such this inhibited RPL's ability to run the schemes.

Pursuant to clause 5.4 of the agreement, upon termination RMPL was required to negotiate in good faith to establish a hand-over plan with RPL and in accordance with the hand-over plan:

- (a) Deliver to RPL all of the data, records, documents and information relating to the Business (as defined in the Service Agreement).
- (b) Transfer to RPL all employees and contractors engaged by RMPL in connection with the Business.
- (c) Transfer or assign to RPL, RMPL's interest in all assets, intellectual property, equipment, leases, contracts or agreements acquired, used or entered into in connection with the Business.

The R&M responded by advising that given that all of the assets and undertakings of RMPL and RPL are the subject of the NAB charge that the items above will remain in their control as Receivers for the foreseeable future. We have not taken any further action in respect of RPL's rights under the Service Agreement since this response.

Review of Banking Facilities

The Company maintained several bank accounts with the ANZ to which none were overdraft facilities. All of the accounts held by this entity were specifically scheme related given the duties prescribed under Part5C.2 of the Act. Specifically, it was a requirement under the Act and the scheme constitutions that scheme proceeds accounts be established for the purposes of receiving proceeds from harvest. Additionally, other trust accounts were created to hold funds for scheme maintenance.

As noted earlier in this report the NAB holds a fixed and floating charge over RPL by way of a guarantee capped to \$4M. RPL had no cash advance or overdraft facilities in place at the date of appointment.

Further, as discussed above, RPL entered into a Service Agreement with RMPL whereby the day to day operations of the schemes were administered by RMPL. In this regard, working capital and banking facilities were taken out under RMPL's name.

Aged payables review

Based on our preliminary analysis and the Company's records there were no trade creditors as at the date of our appointment given that RMPL was responsible for the day to day operations of the schemes.

Profitability and Working Capital

We table below the working capital position of RPL based on the Company's records as at the date of our appointment:

Working Capital	As at 16 May 2010 (\$)	As at 30 June 2009 (\$)	As at 30 June 2008 (\$)
Current Assets	222,728	14,872,807	(243,766)
Less: Current Liabilities	(15,157,000)	(15,281,124)	(145,278)
Surplus/(Deficiency)	(14,934,272)	(14,934,272)	(389,044)

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

- The current liabilities in the above table pertain to deferred income in respect of the scheme assets that would in effect flow through to RPL upon harvesting. This is with particular respect to the portion of the orchards that RPL has on the various schemes due to either a lack of sales and placements on groves or the direct interest acquired by foreclosing on investments due to unpaid loans/management fees; and
- The balance of current assets as at 30 June 2009 reflected in the above table pertain to pre-payments being recognised in the financial statements.

We do not consider the above table to be an adequate reflection of the Company's working capital position given the way the Group recorded certain expenses and receipts. In this regard, further investigation and analysis is required to accurately quantify the net working capital position of RPL.

Cashflow Test

Having regard to the fact that RMPL was responsible for the operations of the schemes through the Services Agreement we understand that a cashflow for RPL itself was not prepared by management.

Banking facilities and cashflow forecasts were prepared and accounted for on a consolidated basis by RMPL.

Net Assets

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

Balance Sheet	As at 16 May 2010 (\$)	As at 30 June 2009 (\$)	As at 30 June 2008 (\$)
Total Assets	23,084,708	22,642,168	18,783,104
Total Liabilities	(15,584,093)	(15,708,217)	(12,756,538)
Net Assets	7,500,615	6,933,951	6,026,566
Net Asset Ratio	1.48	1.44	1.47

RPL's balance sheet disclosed a net asset surplus since 30 June 2008.

Payment of statutory commitments including Superannuation Guarantee Charge

Based on the Company's records as at the date of my appointment our preliminary review has not identified any outstanding statutory payments owing by RPL.

Writs, Demands or Summons / Payment Arrangements

Based on our preliminary analysis and the Company's records there were no writs, demands or summons lodged against RPL nor any payment arrangements entered into by the Company prior to my 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 Insolvency
Review of the company's bank facilities	n/a
Aged Payable Review	n/a
Finance Commitment Review	Further Review Required
Profitability	n/a
Working Capital	16 May 2010
Net Assets	n/a
Statutory Commitments	n/a

Based on the above analysis, it is our preliminary view that the Company became insolvent on 16 May 2010 at the time Administrators were appointed to RMPL given RPL's reliance on funding from RMPL. However, further investigations would be required to be conducted by a Liquidator to more definitively determine this date and the quantum of any possible claim for insolvent trading.

8.2.4 Presumption of insolvency – inadequate books and records

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

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

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

Based on our preliminary review we are of the opinion the Company may not have maintained adequate books and records in accordance with Section 286 of the Act, given the recording of various receipts and expenses noted above. A Liquidator would be required to conduct further investigations into the Group's accounts to form a more definitive position.

8.3 Potential liquidator recoveries - voidable transactions

8.3.1 Unfair preferences

Our preliminary investigations into the Company's affairs have not identified any payments to suppliers which may be voidable as unfair preferences:

Factors which indicate these payments might be unfair preferences are:

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

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

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

A creditor seeking protection must prove all three elements.

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

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

For the purposes of this report, we are unable to estimate potential recoveries from unfair preferences due the preliminary nature of our investigations and the further work that is required in order to form a definitive position. Further, we note that there is no guarantee that a liquidator will recover funds or that costs ultimately dissipate the benefit to creditors.

8.3.2 Uncommercial transactions

Our preliminary investigations have uncovered a number transactions that may be uncommercial in nature which may lead to recoveries by a liquidator in the event that the Company is wound up. In this regard please refer to section 8.5 in that regard. We confirm that a liquidator would be required to conduct further investigations in respect of these transactions before determining whether it may result in recoveries for the benefit of creditors.

8.3.3 Unfair loans

Based on our investigations to date, we have not identified any unfair loans advanced to the Company. We are considering that matter further and confirm that further work is required and investigation in respect of this area before concluding on the availability of any recoveries for the benefit of creditors.

8.3.4 Unreasonable director-related transactions

Based on our investigations to date we have uncovered a number of issues which may be classified as unreasonable director-related transactions. Please refer to section 8.5 in that regard. Further, should creditors resolve to adjourn the second meeting of creditors, the Administrators will be in

position to consider these transactions in greater detail with a view to providing creditors with an estimated recovery should the Company proceed into liquidation.

8.3.5 Obstruction of creditors' rights

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

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

8.3.6 Voidable charges

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

8.4 Potential liquidator recoveries - insolvent trading

8.4.1 Director liability

Based on our preliminary analysis above at 8.2.3, it is our preliminary view that the Company became insolvent on 16 May 2010 at the time Administrators were appointed to RMPL given RPL's reliance on funding from RMPL. However, further investigations would be required to be conducted by a Liquidator to more definitively determine this date and the quantum of any possible claim for insolvent trading. However, if it was concluded that the directors traded RPL whilst it was insolvent earlier than this date, the directors could argue in their defence the following:

- A reasonable expectation that the company was or would remain solvent due to the support of RGL and RMPL to meet its payment obligations and that a recapitalisation of the Group was being planned; and
- When it appeared that the recapitalisation efforts were unlikely to go ahead, the directors took actions (sought advice on 6 May 2010) which lead to the appointment of the Administrators on 16 May 2010.

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

The costs of proceeding with an insolvent trading action must be considered as does the personal financial capacity of the directors to pay a judgement obtained against them. The latter issue is addressed in Section 8.9 and indicates that we are unaware of the directors' likely personal asset base and whether same would withstand a potential claim from a future appointed Liquidator (if any).

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

8.4.2 Holding company liability

RGL was the holding company and has been since inception. Furthermore, in my view, the nature and extent of RGL's control over the Company's operations was such that it would be reasonable to expect RGL and its directors had knowledge of the Company's financial position.

We stated at Section 6.2.2 that we were unable to accurately estimate the date the Company become insolvent due to the preliminary nature of our investigations. However should our investigations determine the Company was insolvent before the directors resolved to appoint administrators, it may

arguable that RGL could be held liable under Section 588W for the debts incurred by the Company from 1 February 2010.

However, the Courts have held that, as a defence to such proceedings, a holding company can off-set any claim by a liquidator under Section 588W against monies owing under an intercompany loan account. That said, RGL is not a party to such a loan account.

As RGL is also under external administration, it may not be commercially viable to pursue such recovery unless the abovementioned policy was to respond to same.

8.5 Other Matters Arising from Investigations

During the course of our preliminary investigations, communications with various stakeholders and review of the books and records, we have identified a number of issues which require further investigation.

In this regard, we outlined below a number of issues which we consider require further investigation combined with our preliminary understanding of the issues:

Purchase of Plant and Equipment

We advise that RMPL purchased the majority of the schemes' plant and equipment, albeit some of the equipment is subject to hire purchase or finance / operational leases. It is our preliminary understanding that RMPL purchased this equipment from funds that were contributed by growers by way of investments into the schemes and / or annual management fees payable in respect of the same.

We consider the above requires further investigation, with a view to conducting a tracing exercise to establish whether or not a constructive trust claim may exist by RPL and / or growers against RMPL with respect to the purchase of various items of plant and equipment or improvements to properties owned by RLPL or Ark.

Specifically, stakeholders have raised concerns in relation to the purchase of the netting at the stone fruit property in Childers, QLD. We understand the purchase price of this netting was approximately \$5M. We intend to conduct a detailed investigation in respect of this issue.

Discolls / Ozfresh Potential Claim

The directors have brought to the Administrators attention a claim that may exist in relation to the contractual arrangements that RPL had entered into with Oz-fresh and Discolls in relation to the planting of certain specialised varieties of strawberries on the two farming sites in Queensland and Victoria.

It is our understanding that Oz-Fresh and Driscolls have not received any claim against them nor have they been provided the findings outlined in the forensic reports and therefore have not been provided an opportunity to respond to same. Likewise, we have not been afforded an understanding from management as to why the insurers (in their words) "denied all liability" and why legal proceedings were not instituted by RPL in the circumstances.

In the event that the allegations raised are later found to have substance, we note that, in our view, our agreement with CG:

- In no way absolves Oz-Fresh or Driscolls of any liability which may attach to RPL's allegations. Accordingly, nothing is "lost" in that regard; and

- As outlined above, is structured in such a way to minimise the risk for stakeholders of adverse outcomes.

Such a claim would require further investigative work to ascertain the particulars of the alleged breach of contractual arrangements with RPL. In this regard, we are seeking further clarity from the directors in relation to this matter and intend to review the records of the Company further.

Premium Timber 2009 Scheme

We have conducted preliminary investigations into the above scheme, and in this regard we make the following comments:

- By way of background, the offer in the PDS was for 9,000 Woodlots of 0.25 hectare each at an issue price of \$5,500 (ex GST) per Woodlot with a view to raising approximately \$50 million. Further, the 0.25 hectare Woodlot comprised of 0.15 hectares of Sandalwood and 0.1 hectares of teak.
- Further and in conjunction with sales agent, Jiwan International in Delhi, India, RPL entered into a legally binding off-take agreement during early 2009 in relation to the sandalwood sapwood logs, as part of the first thinning of the woodlots. Additionally, RPL entered into an off-take agreement with Berars Timbers in Mumbai, India with respect to the teak poles and sawlogs from the inception of the project until 2020.
- I note the scheme duration was estimated to last 20 years, with the first harvest occurring when the sandalwood trees are at least 5 years old and the teak trees are 6 years old.
- Pursuant to the constitutions and sub-lease agreements executed with growers in respect of the PT09 scheme, I note that RPL was irrevocably appointed to manage the plantation to fruition.
- Land in respect of forestry schemes is selected within 15 months from the date that the initial prospectus close, being the end of the financial year in which the product is offered to growers. In this regard, RPL was required to select land on or before September 2010. For sake of clarity, selection does not necessarily provide for the purchase of land but may incorporate entering into a lease agreement with a related or third party.
- Historically, a related entity RLPL or the Ark purchased the land and entered into various lease agreements with RPL for the usage of that land. It is our preliminary understanding from the directors, that RLPL was intending on purchasing the land prior to September 2010 with a view to executing a lease agreement with RPL as soon as practicable thereafter. There were however, stringent criteria which RPL needed to conform to for the purposes of selecting appropriate land.

We table below a summary of the funds raised in relation to PT09:

Project	Funding Option	Sales	Units	Total Applications
PT09R1	1 year	\$9,099,200	1,504	253
PT09R1	Cash	\$5,130,400	845	130
PT09R1	CBA	\$14,193,300	2,346	195
		\$28,422,900	4,695	578

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

- The 1 year financing options were financed by GCPL. Of these loans the majority have been fully repaid, only \$167,000 remains outstanding as at 30 June 2010.

- I note that balance of funds currently held by GCPL is approximately \$1M, however, the Group previously utilised the funds raised through collections for working capital purposes of the schemes generally.
- We are unsure of the status of the loans financed by CBA, as this portfolio is managed by MIS Funding No.1 Pty Ltd, a subsidiary of CBA, internally.

Having regard to the status of the scheme, we comment as follows:

- We are currently investigating whether RLPL or Arc entered into any binding agreements to purchase land as per the relevant section criteria for PT09.
- Notwithstanding the above, the directors resolved to place RPL into voluntary administration on 16 May 2010 being approximately 5 months prior to the date in which RPL was required to have entered into lease agreements in relation to the scheme.

Having regard to fact that the scheme is not proceeding, we are investigating the implications for RPL and growers. Additionally, we require further time to consider whether the use of funds raised from growers would form the basis of a constructive trust, subject to ascertains how the Group utilised the funds. The Administrators / Liquidators will need to reconcile the use of funds by the Group and determine how the funds were permitted to be utilised by RPL in accordance with the PDS for the purposes of quantifying whether any claim may exist.

Global Rewards Fruit Marketing Agreement

We advise RPL entered into a marketing agreement with Global Rewards Pty Ltd (GRPL) in relation to the marketing of the fruit pertaining to all tropical fruit schemes. GRPL is a related entity by way of common directorships, and derives substantial commission from the sale of fruit. We require further time to consider the implications of this agreement and quantify the benefit derived by the related party, particularly the common directors.

Based on our preliminary investigations it appears that the directors may have breached their duties in respect of the following sections of the Act:

- Pursuant to section 180; directors obligations in relation to care a due diligence;
- Pursuant to section 181; directors civil obligations to act in good faith;
- Pursuant to section 182; directors civil obligations in respect of a breach of their position as a director;
- Pursuant to section 183; directors obligations in respect of the use of information;
- Pursuant to section 601FC(1); duties of the RE;
- Pursuant to section 601FD(1); duties of the directors and officers of a RE; and
- Pursuant to section 601FE; duties of employees of an RE in relation to conflict of interest and use of information.

Sandalwood 2007 Scheme

We advise that RLPL entered into an agreement to purchase a property in the southwest of Western Australia for the purposes of planting sandalwood trees in relation to the Rewards Group 2007 Sandalwood scheme. Further, the agreement to purchase provided RLPL to lease 200 hectares of the land to plant the 2007 scheme trees and subsequent to settlement of the property, scheduled for early 2010, RPL could plant further sandalwood in relation to the PT09 scheme.

We advise that prior to our appointment, RLPL defaulted on the contract to purchase the land mentioned above. At present there are 200 hectares of sandalwood trees which have been funded by growers of the sandalwood 2007 scheme which reside on land not in possession of RPL. We are currently considering the position of RPL in respect of this matter and whether RPL, on behalf of the growers in the scheme, has an equitable claim against the owner of the abovementioned property. Further work is required to investigate the matter with a view to seeking definitive legal advice on the same.

Based on our preliminary investigations it appears that the directors may have breached their duties in respect of the following sections of the Act:

- Pursuant to section 180; directors obligations in relation to care a due diligence;
- Pursuant to section 181; directors civil obligations to act in good faith;
- Pursuant to section 182; directors civil obligations in respect of a breach of their position as a director;
- Pursuant to section 183; directors obligations in respect of the use of information;
- Pursuant to section 601FC(1); duties of the RE; and
- Pursuant to section 601FD(1) duties of the directors and officers of a RE.

Litigation Brought against the Company

To date we have received correspondence from one law firm, advising that they have been engaged by a number of aggrieved parties to consider the merits of class action:

- a) As against RPL and the directors and officers in relation to the following actions:
 - 1) Non-disclosure of material information amounting to breach of fiduciary duties;
 - 2) Alleged breach of statutory duties by RPL as RE;
 - 3) Misleading or deceptive conduct in breach of the Trade Practices Act; and
 - 4) Unlawful exclusive dealings in connection with loans offered to MIS investors.
- b) As against RPL in relation to alleged contraventions of Sections 601FC(1) and 601FD(1) of the Act whereby it is claimed that RPL breached its duties as a RE, and further alleged breaches of duties by directors and officers respectively.

In addition to the above, we have received correspondence from the solicitors of a grower that was terminated from a scheme for non-payment of management fees, in relation to seeking leave pursuant to Section 440D of the Act to commence action against RPL and the directors and officers respectively. The Administrators require further time to consider the basis of the growers' claims, including the submission and adjudication of proofs of debt, where appropriate.

We are considering the allegations raised above and require further time to conduct comprehensive investigations into the affairs of the Company. Having regard to the obligations of RE's as prescribed under Part 5C.2 of the Act, we advise that we are considering the actions of the RE undertaken during the life of the various schemes and whether the directors/RE were compliant with the requirements under the Act, including but not limited to, acting in the best interests of scheme members and the continuous disclosure requirements.

Further to the above, we are considering evidence that may indicate that the directors of the Company engaged in misleading and deceptive conduct through the misrepresentation to investors of the financial position of the Group throughout the restructuring period.

Use of scheme funds

We have conducted a preliminary investigation with respect to the utilisation of funds raised through the schemes managed by RPL either by way of initial investments or ongoing management fees. In this regard, it appears that based upon these preliminary investigations RPL may not have been utilising funds in accordance with the respective scheme constitutions. We note that RPL has a compliance committee as required under the respective scheme constitutions of which part of its purpose is to ensure that RPL complies with its obligations under these documents.

Having regard to the above, we require further time to consider whether the directors were compliant with their obligations under the Act and the relevant scheme documents, including but not limited to, the compliance plan and the constitution. Further time to investigate the issues raised above, will facilitate the Administrators to conduct tracing exercises and report to creditors on the usage of funds raised from investors throughout the Group.

8.6 Other potential liquidator recoveries

8.6.1 Compensation for breach of director duties

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

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

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

Our investigations with respect to whether there have been any breaches of directors' duties are continuing, however we note the possible breaches we have identified above.

8.6.2 Arrangements to avoid employee entitlements

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

8.7 Possible offences

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

8.8 Summary of potential liquidator recoveries

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

8.9 Directors' ability to pay a liquidator's claims

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

Our preliminary investigations (including land, vehicles and shareholding searches) have revealed that the directors' net asset position is subject to a mixture of personal and corporate interests. Further investigations will be required in regards to the directors' net asset positions. It appears their personal net assets positions does depend on the outcome of the R&M's work within the Group.

For completeness, we also note that the directors maintained a directors' and officers' insurance policy with a limit of \$10M. We have yet to receive a copy of this policy and are unable to ascertain if the policy may respond to any claims brought by a liquidator.

8.10 Report to ASIC

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

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

Based upon our preliminary investigations conducted to date and possible contraventions discussed above, we advise that we intend to lodge a confidential report to ASIC pursuant to section 438D of the Act shortly outlining these issues for ASIC's attention.

9. Creditors' options, dividend estimates & cost estimates

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

- Administration to end;
- Company to be wound up;
- That the second meeting of creditors be adjourned for a period not exceeding forty five (45) business days; or,
- Company to execute a DOCA.

Given that no DOCA proposal has been put forward, this option falls away.

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

9.1 Administration to end

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

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

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

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

9.2 Winding up of the Company

In the absence of a DOCA proposal, the only remaining options for creditors are to resolve to wind up the Company or to adjourn the second creditors meeting for a period not exceeding forty five (45) business days. As discussed in Section 7 of this report, the Administrators have been holding discussions with RGAG and CG regarding the potential restructure of the Group and / or schemes managed by the Group. As discussed, in Section 7 of this report, an adjournment of the second creditors meeting would allow RGAG with further time finalise their due diligence and to liaise with the Administrators in an attempt to facilitate a restructuring arrangement.

Given the nature, size and costs involved in realising the value of the asset and potential recoveries in a liquidation scenario, it is difficult to determine with any degree of certainty the likely level of return to unsecured creditors that would arise from liquidation. However, we are of the opinion that the returns to the creditor body as a whole would be superior in a restructuring scenario compared to a liquidation scenario.

The costs of winding up the Company's affairs are estimated at \$750,000 (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.

9.3 Adjourn Meeting

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

- The adjournment would enable RGAG to finalise its restructuring/DOCA proposal for all or part of the Group for creditors' and growers' consideration;
- The restructure/DOCA proposal put forward by RGAG may provide a superior return to creditors than if the Company was immediately wound up and may have benefits for other stakeholders than if the Company were immediately wound up;
- The RGAG is attempting to find a solution to the Group's/Company's current financial predicament and situation with a view to repaying secured creditors in full, unsecured creditors a better outcome than in a winding up, as well as preserving scheme assets for the benefit of growers;

- Whilst the adjournment period is in place, RGAG would continue to provide funding to the Administrators to keep the schemes on foot and conduct maintenance works on various scheme properties. We note that the RGAG has already contributed a significant amount of funding (approximately \$1.5M) to the Administrators and maintenance works have and are continuing to be conducted on various scheme properties as a result of having being funded by RGAG.

It is difficult to estimate the cost of adjourning the meeting of creditors. During the period of the adjournment, some costs will be incurred in continuing investigations that would otherwise be undertaken in a liquidation, while other costs will relate more specifically to RGAG's due diligence information requests, reporting to creditors and to re-convening the second meeting of creditors (in the event that creditors resolve to adjourn the forthcoming meeting). Our estimate of the marginal costs is \$100,000, upon which we would report to creditors in a supplementary report pursuant to section 439A of the Act in order that approval of such costs may then be considered by creditors.

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

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

10. Administrators' opinion

As stated in section 9.1 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 to adjourn the second creditors meeting for a period not exceeding forty five (45) business days.

Based on the above, it is our opinion that creditors should resolve that the second meeting of creditors be adjourned for RPL for a period not exceeding forty five (45) business days for the following reasons:

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

11. Administrators' remuneration report

Pursuant to Section 446E 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.

12. Further queries

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

In the meantime, should creditors have any queries, please do not hesitate to contact Penny Vetten or Charlotte Linfoot of this office.

DATED this 9th day of August 2010.

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

Martin Jones
Joint and Several Administrator

Annexure 1

Administrators' Remuneration Report

CORPORATIONS ACT 2001

Section 449E

**REWARDS PROJECTS LIMITED
(ADMINISTRATORS APPOINTED) ("THE COMPANY")
ACN 089 582 427**

REMUNERATION REPORT

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

Part A

- A1 Schedule of hourly rates and general guide to staff experience.
- A2 Tasks undertaken by the Administrators and remuneration calculation for the period 16 May 2010 to 31 July 2010.
- A3 Schedule of the Administrators' anticipated tasks and remuneration estimate for the period 1 August 2010 to 15 August 2010.
- A4 Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and remuneration estimate from 16 August 2010 to the conclusion of the liquidation.
- A5 Resolutions to be put to creditors at the meeting convened for 16 August 2010.

Part B

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



PART A

A1 SCHEDULE OF HOURLY RATES & GENERAL GUIDE TO STAFF EXPERIENCE

Title	Rate (\$) As at 1 Aug 2010	Previous Rate (\$)	Experience
Partner/Principal/ Appointee	540	540	The Partner/Appointee is a registered liquidator and member of the ICAA and IPAA bringing specialist skills to the administration or insolvency task. For specific experience and other details of the appointee/s, please visit our website at www.ferrierhodgson.com
Director	475	460	Generally, minimum of 12 years experience at least 2 years of which is to be at Manager level. University degree; member of the ICAA and IPAA with deep knowledge and lengthy experience in relevant insolvency legislation and issues.
Senior Manager	400	390	Generally, more than 7 years experience with at least 2 years as a Manager. University degree; member of the ICAA and IPAA; very strong knowledge of relevant insolvency legislation and issues.
Manager	335	325	Generally, 5-7 years chartered accounting or insolvency management experience. University degree; member of the ICAA and IPAA; sound knowledge of relevant insolvency legislation and issues.
Supervisor	295	285	Generally, 4-6 years chartered accounting or insolvency management experience. University degree; member of the ICAA; completing IPAA Insolvency Education Program. Good knowledge of relevant insolvency legislation and issues.
Senior 1	265	255	Generally, 2-4 years chartered accounting or insolvency management experience. University degree; completing the ICAA's CA, program. Good knowledge of basic insolvency legislation and issues.
Senior 2	235	230	Generally, 2-3 years chartered accounting or insolvency management experience. University degree, ICAA's CA program commenced.
Intermediate 1	190	185	0 to 2 years experience. Has completed or substantially completed a degree in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Intermediate 2	160	155	0 – 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes direction from senior staff in completing more complex administrative tasks.
Senior Secretary	155	150	Appropriate skills including machine usage.
Clerk/Junior	135	130	Generally non qualified administrative assistant. Classification depends on experience, salary and complexity of work to be completed.

Notes:

1. The hourly rates are exclusive of GST.
2. The guide to staff experience is intended only as a general guide to the qualifications and experience of our staff engaged in the administration. Staff may be engaged under a classification that we consider appropriate for their experience.
3. Time is recorded and charged in six-minute increments.
4. Rates are subject to change from time to time.



A2. Tasks undertaken by the Administrators and remuneration calculation for the period 16 May 2010 to 31 July 2010

Task Area	General Description	Includes
Assets 419.98 hours \$143,283.50	Sale of business as a going concern	<ul style="list-style-type: none"> ▪ Corrospended with interested parties ▪ Maintained interested parties schedule ▪ Conducted internal meetings to discuss potential restructuring options
	Plant and equipment	<ul style="list-style-type: none"> ▪ Secured the assets ▪ Liaised with interested parties ▪ Reviewed asset listing to identify likely ownership ▪ Identification of plant and equipment held under lease
	Other Assets	<ul style="list-style-type: none"> ▪ Obtained details of land titles for each MIS ▪ Commenced review of asset ownership by entity/scheme ▪ Reviewed and considered accuracy of intercompany loan accounts ▪ Reviewed security documents and compared to asset listings
	Leasing	<ul style="list-style-type: none"> ▪ Reviewed lease contracts ▪ Prepared leased assets schedule and summarised leases ▪ Prepared notification letter and sent to all known owners/lessors ▪ Responded to queries from owners/lessors in relation to leased assets ▪ Liaised with the R&M in relation to disclaiming leased assets ▪ Determined the preliminary benefits to creditors of retaining leased assets ▪ Conducted preliminary tasks associated with disclaiming leases ▪ Liaised with R&M for payment of ongoing leases ▪ Liaised with R&M with respect to notices of default
Creditors 219.10 hours \$49,983.50	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Conducted tasks associated with setting up the telephone hotline ▪ Received and followed up creditor/investor enquiries via telephone and email ▪ Prepared and maintained the Frequently Asked Questions ('FAQ') document ▪ Received and followed up on investor queries generally but in particular queries in relation to insurance, loan repayments and specific plantation queries ▪ Prepared investor communication package ▪ Reviewed and prepared correspondence to creditors/investors and their representatives via facsimile, email and post ▪ Corrospended with creditors/investors regarding status of the administration ▪ Internal meetings to discuss communication strategies for investors

Task Area	General Description	Includes
<p style="text-align: center;">Creditors (cont'd)</p>	<p>Creditor reports/circulars</p>	<ul style="list-style-type: none"> ▪ Prepared and sent initial and extension of convening period circular to creditors and investors ▪ Liaised with printers regarding distribution of circular ▪ Prepare reports pursuant to Section 439A of the Act ▪ Prepared, reviewed and distributed reports to secured creditors ▪ Prepared, reviewed and distributed reports to CoC ▪ Preparation of remuneration reports for CoC meetings
	<p>Dealing with proofs of debt ('POD's')</p>	<ul style="list-style-type: none"> ▪ Received and filed POD's when not related to a dividend ▪ Inputted POD's into the POD register ▪ Reviewed and adjudicated POD's for right to vote ▪ Attending enquires in relation to completing POD's and proxies ▪ Maintained POD's register
	<p>Meeting of Creditors</p>	<ul style="list-style-type: none"> ▪ Received and followed up on creditor/investor queries in relation to the creditors meeting ▪ Prepared first meeting and CoC documents such as notices, proxies and advertisements ▪ Forwarded notice of meeting to all known creditors and investors ▪ Setup a web casting facility for the creditors meeting and corresponded with various parties in relation to the setup of this facility ▪ Conducted internal meetings to prepare for the creditors meeting ▪ Prepared and maintained register of proxies ▪ Reviewed, adjudicated validity of proxy forms and contacted creditors with invalid proxies ▪ Prepared meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting ▪ Prepared presentation for the creditors meeting ▪ Attended and chaired first creditors meeting and CoC meetings ▪ Answered creditors queries following the first creditors meeting
<p>Administration 1,658.50 hours \$509,474.00</p>	<p>Correspondence</p>	<ul style="list-style-type: none"> ▪ Prepared general correspondence to numerous parties in regard to the appointment ▪ Corresponded with utility providers regarding the appointment and ongoing requirement ▪ Review all correspondence and documentation provided ▪ Prepare correspondence in relation to the webcast facility for the creditor meeting ▪ Reviewed and amended correspondence in relation to investor documentation request ▪ Prepared letter on project transform for all investors

Task Area	General Description	Includes
Administration (cont'd)	Document maintenance/ file review/ checklist	<ul style="list-style-type: none"> ▪ Filed documents ▪ Updated checklists ▪ Updated employee and creditor contact details ▪ Prepared notification letters to various government departments ▪ Dealt with various off market investor transfer requests ▪ Preparation of director notifications, including Director's Statement and questionnaire notices
	Insurance	<ul style="list-style-type: none"> ▪ Obtained insurance policies and conducted review of those policies ▪ Identified potential issues and deficiencies in current insurance cover requiring attention of insurance specialists ▪ Initiated strategic and risk analysis to be conducted by insurance specialist ▪ Corresponded with Willis and previous insurers regarding initial and ongoing insurance requirements ▪ Reviewed insurance policies ▪ Corresponded with previous brokers ▪ Notified relevant Workers' compensation insurer of the appointment of Administrators and arranged for the continuation of cover ▪ Considered ongoing insurance requirements in light of restricted funding ▪ Liaised with R&M regarding ongoing insurance strategies\Investigated alternative funding options in light of funding restrictions ▪ Consideration of scheme insurance requirements and obligations of RE
	ASIC Forms	<ul style="list-style-type: none"> ▪ Prepared and lodged ASIC forms ▪ Corresponded with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ Notified the ATO of Administrators' appointment ▪ Notified State Revenue Office of Administrators' appointment
	Planning / Review	<ul style="list-style-type: none"> ▪ Conducted several discussions regarding status/strategy of administration ▪ Prepared applications to Court for two extensions to the convening period ▪ Reviewed Administrators' expected costs for the administration period for funding requirement purposes ▪ Held meetings with Management to review MIS models ▪ Preliminary review of schemes from information available
	Data Collection	<ul style="list-style-type: none"> ▪ Collated and reviewed MIS data in preparation for scheme reviews ▪ Obtained ASIC company searches

Task Area	General Description	Includes
Employees 17.60 hours \$4,536.50	Employee Issues	<ul style="list-style-type: none"> ▪ Considered allocation of employee costs from RMPL to RPL ▪ Correspondence with Willis regarding ongoing workers compensation insurance requirement. ▪ Retain key staff members and other associated employee issues.
Trade On 385.70 hours \$126,559.50	Trade On Management	<ul style="list-style-type: none"> ▪ Discussion and planning regarding site operations ▪ Setup purchase order system and communicate this with employees ▪ Maintain purchase order schedule ▪ Attended to critical suppliers in ensuring continued supply ▪ Liaised with existing management and staff ▪ Attended site and head office ▪ Liaised with OSR regarding payroll tax issues ▪ Attended to issues arising from day to day operations ▪ Considered Occupational Health and Safety and Environmental concerns ▪ Initiated action plans in relation to Occupational Health and Safety and Environmental concerns ▪ Considered and resolved site issues
	Budgeting & financial reporting	<ul style="list-style-type: none"> ▪ Reviewed budgets and financial statements prepared by management ▪ Reviewed MIS audit reports ▪ Reviewed scheme NPV models ▪ Reviewed the cash flow position ▪ Conducted meetings to discuss trading position ▪ Conducted business overview review
Investigation 123.50 hours \$37,272.00	Conducting investigation	<ul style="list-style-type: none"> ▪ Prepared investigation strategy ▪ Reviewed legal advice regarding the implications of MIS ▪ Conducted viability analysis for each MIS from available information ▪ Reviewed and prepared group nature and history memorandums ▪ Conducted and summarised statutory searches ▪ Prepared working capital position ▪ Reviewed aged creditors listings ▪ Reviewed specific transactions and liaised with directors regarding certain transactions ▪ Investigated matters identified by creditors ▪ Investigated possible preference payments and uncommercial transactions ▪ Reviewed MIS schemes and prepared analysis


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

Employee	Position	Rate \$	Total		Assets		Creditors		Administration		Employees		Trade On		Investigations	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Jones, M	Partner	540	332.10	179,334.00		-	1.00	540.00	331.10	178,794.00		-		-		-
Saker, A	Partner	540	0.70	378.00		-		-	0.60	324.00		-	0.10	54.00		-
Weaver, D	Partner	540	1.00	540.00		-	0.30	162.00		-		-	0.50	270.00	0.20	108.00
Field, M	Snr Manager	390	411.78	160,595.50	226.18	88,211.50	15.40	6,006.00	14.60	5,694.00	1.50	585.00	121.90	47,541.00	32.20	12,558.00
Rushton, W	Snr Manager	390	0.30	117.00		-		-	0.30	117.00		-		-		-
Smith, A	Snr Manager	390	387.00	150,930.00	61.80	24,102.00		-	218.40	85,176.00		-	105.00	40,950.00	1.80	702.00
Bickford, B	Supervisor	285	0.20	57.00		-		-	0.20	57.00		-		-		-
Birch, T	Supervisor	285	11.30	3,220.50		-	0.80	228.00	10.50	2,992.50		-		-		-
Chu, K	Supervisor	285	223.10	63,583.50	13.00	3,705.00	14.30	4,075.50	85.10	24,253.50	4.50	1,282.50	41.20	11,742.00	65.00	18,525.00
Coleman, S	Senior 1	255	4.00	1,020.00		-	1.10	280.50	2.40	612.00		-		-	0.50	127.50
Dale, E	Senior 1	255	158.10	40,315.50	1.20	306.00	3.10	790.50	142.80	36,414.00	1.00	255.00	9.90	2,524.50	0.10	25.50
Gauci, S	Senior 2	230	203.00	46,690.00	12.50	2,875.00	2.10	483.00	154.50	35,535.00	4.30	989.00	29.60	6,808.00		-
Gunnis, J	Senior 2	230	157.00	36,110.00	37.50	8,625.00	43.30	9,959.00	62.30	14,329.00	4.50	1,035.00	9.40	2,162.00		-
Holmes, S	Senior 2	230	280.90	64,607.00	25.20	5,796.00	4.80	1,104.00	199.60	45,908.00	0.10	23.00	33.90	7,797.00	17.30	3,979.00
Keir, D	Senior 2	230	143.80	33,074.00	12.00	2,760.00	67.50	15,525.00	55.80	12,834.00	0.80	184.00	5.30	1,219.00	2.40	552.00
McCann, L	Senior 2	230	11.20	2,576.00		-	0.30	69.00	10.90	2,507.00		-		-		-
Webb, G	Senior 2	230	145.90	33,557.00	27.60	6,348.00	14.10	3,243.00	92.80	21,344.00	0.50	115.00	10.90	2,507.00		-
Musulini, D	Senior 2	230	0.50	115.00		-	0.50	115.00		-		-		-		-
Stephens, M	Prac. Manager	225	0.90	202.50		-		-	0.90	202.50		-		-		-
Roberts, C	Int 1	185	5.80	1,073.00	3.00	555.00		-	0.30	55.50		-		-	2.50	462.50
Luck, G	Int 1	185	3.40	629.00		-	0.30	55.50	2.90	536.50	0.20	37.00		-		-
Di Menna, A	Int 1	185	4.40	814.00		-		-	4.40	814.00		-		-		-
Puddy, A	Int 1	185	16.90	3,126.50		-	1.60	296.00	8.80	1,628.00		-	6.50	1,202.50		-
Wilson, S	Int 1	185	1.20	222.00		-		-	1.20	222.00		-		-		-
Godfrey, A	Int 2	160	8.80	1,408.00		-	8.70	1,392.00	0.10	16.00		-		-		-
Linfoot, C	Int 2	155	17.10	2,650.50		-	0.70	108.50	14.90	2,309.50		-		-	1.50	232.50
Vetten, P	Int 2	155	168.30	26,086.50		-	1.80	279.00	154.80	23,994.00	0.20	31.00	11.50	1,782.50		-
Hoskins, J	Receptionist	150	20.50	3,075.00		-	20.50	3,075.00		-		-		-		-
Caldera, G	Secretary	150	0.40	60.00		-		-	0.40	60.00		-		-		-
Kroon, M	Secretary	150	9.80	1,470.00		-		-	9.80	1,470.00		-		-		-
Westwood, J	Secretary	150	56.10	8,415.00		-		-	56.10	8,415.00		-		-		-
Gray, E	Clerk	130	19.10	2,483.00		-	16.90	2,197.00	2.20	286.00		-		-		-
Martin, K	Clerk	130	11.20	1,456.00		-		-	11.20	1,456.00		-		-		-
Radisich, D	Clerk	130	8.00	1,040.00		-		-	8.00	1,040.00		-		-		-
Ross, M	Clerk	130	0.60	78.00		-		-	0.60	78.00		-		-		-
Total			2,824.38	\$871,109.00	419.98	\$143,283.50	219.10	\$49,983.50	1,658.50	509,474.00	17.6	4,536.50	385.70	126,559.50	123.50	37,272.00



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

Based on the following anticipated tasks, we estimate the Administrators' fees for the above period at \$200,000 (exclusive of GST).

Task Area	General Description	Includes
Assets 79.50 hours \$22,177.50	Sale of business as a going concern	<ul style="list-style-type: none"> ▪ Corresponding with interested parties ▪ Maintaining interested parties schedule ▪ Conducting internal meetings to discuss potential restructuring options ▪ Discussing with Secured creditors regarding restructuring options ▪ Investigating DOCA and restructuring options ▪ Reviewing DOCA proposals received
	Leasing	<ul style="list-style-type: none"> ▪ Corresponding with lessors regarding various leased properties and continuance of lease arrangements ▪ Reviewing lease default notices and corresponded with the Receivers and Managers regarding outstanding payments ▪ Reviewing property listings and leasing schedules ▪ Preparing correspondence to lessors regarding various lease issues ▪ Preparing and issuing notices of intention not to exercise property rights to lessors ▪ Liaising with owners/lessors ▪ Reviewing lease documents ▪
	Plant and equipment	<ul style="list-style-type: none"> ▪ Liaising with valuers, auctioneers and interested parties ▪ Marketing non-core assets ▪ Discussing non-core assets with interest parties
Creditors 90.50 hours \$22,967.50	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Conducting tasks associated with setting up and maintaining the telephone hotline ▪ Receiving and following up creditor and investor enquiries via telephone and email ▪ Maintaining the Frequently Asked Questions ('FAQ') document ▪ Reviewing and preparing correspondence to creditors and their representatives via facsimile, email and post ▪ Corresponding with creditors regarding status of the administration ▪ Receiving and responding to correspondence from credit insurers regarding specific creditors ▪ Reviewing and preparing correspondence to shareholders and their representatives via facsimile, email, post and web upload ▪ Assisting creditors with their preparation for the second creditors meeting
	Secured creditor reporting	<ul style="list-style-type: none"> ▪ Preparing reports to secured creditors ▪ Discussing possible restructuring options
	Creditors reports	<ul style="list-style-type: none"> ▪ Completion of Administrators' S439A report ▪ Completion of Administrators' remuneration report and a covering Circular to Creditors.
	Dealing with proofs of debt	<ul style="list-style-type: none"> ▪ Receipting and filing POD's when not related to a dividend
	Meeting of Creditors	<ul style="list-style-type: none"> ▪ Preparation meeting notices, proxies and advertisements ▪ Forward notice of meeting to all known creditors ▪ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of



Task Area	General Description	Includes
Creditors (cont'd)		<ul style="list-style-type: none"> meeting. ▪ Preparation and lodgement minutes of meetings with ASIC ▪ Respond to stakeholder queries and questions immediately following meeting
Employees 37.50 hours \$9,262.50	Other employee issues	<ul style="list-style-type: none"> ▪ Payment of employee wages and calculation of same. ▪ Correspondence with Willis regarding initial and ongoing workers compensation insurance requirements.
Trade On 76.50 hours \$22,185.00	Trade On Management	<ul style="list-style-type: none"> ▪ Liaising with suppliers ▪ Liaising with management and staff ▪ Attendance on site ▪ Authorising purchase orders ▪ Maintaining purchase order registry ▪ Preparing and authorising receipt vouchers ▪ Preparing and authorising payment vouchers ▪ Liaising with superannuation funds regarding contributions, termination of employees employment ▪ Liaising with OSR regarding payroll tax issues
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Entering receipt and payments into accounting system
	Budgeting & financial reporting	<ul style="list-style-type: none"> ▪ Reviewing company's budgets and financial statements ▪ Preparing budgets ▪ Preparing weekly financial reports ▪ Finalising trading profit or loss ▪ Meetings to discuss trading position
Investigation 41.50 hours \$12,790.00	Conducting investigation	<ul style="list-style-type: none"> ▪ Collection of company books and records ▪ Correspondence with ASIC to receive assistance in obtaining books and records ▪ reconstruction of financial statements ▪ Reviewing company's books and records and Report as to Affairs ▪ Review and preparation of company nature and history ▪ Review of specific transactions and liaising with directors regarding certain transactions ▪ Liaising with directors regarding certain transactions ▪ Preparation of investigation file ▪ Lodgement report with the ASIC pursuant to section 438D of the Act ▪ Preparation and lodgement of supplementary report if required
	Examinations	<ul style="list-style-type: none"> ▪ Preparing brief to solicitor ▪ Liaising with solicitor(s) regarding examinations ▪ Attendance at examination ▪ Reviewing examination transcripts ▪ Liaising with solicitor(s) regarding outcome of examinations and further actions available
	Litigation / Recoveries	<ul style="list-style-type: none"> ▪ Internal meetings to discuss status of litigation ▪ Preparing brief to solicitors ▪ Liaising with solicitors regarding recovery actions ▪ Attending to negotiations ▪ Attending to settlement matters
	ASIC reporting	<ul style="list-style-type: none"> ▪ Preparing statutory investigation reports ▪ Preparing affidavits seeking non lodgements assistance ▪ Liaising with ASIC
Administration 419.00 hours \$109,817.50	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ Administration reviews ▪ Filing of documents ▪ File reviews ▪ Updating checklists
	Insurance	<ul style="list-style-type: none"> ▪ Identification of potential issues requiring attention of



Task Area	General Description	Includes
Administration (cont'd)		<ul style="list-style-type: none"> insurance specialists ▪ Correspondence with Willis regarding initial and ongoing insurance requirements ▪ Reviewing insurance policies ▪ Correspondence with previous brokers
	Bank account administration	<ul style="list-style-type: none"> ▪ Preparing correspondence opening and closing accounts ▪ Requesting bank statements ▪ Bank account reconciliations ▪ Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> ▪ Preparing and lodging ASIC forms including 505, 524, 911 etc ▪ Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ Preparing BAS' ▪ Completing group certificates
	Finalisation	<ul style="list-style-type: none"> ▪ Notifying ATO of finalisation ▪ Cancelling ABN / GST / PAYG registration ▪ Completing checklists ▪ Finalising WIP
	Planning / Review	<ul style="list-style-type: none"> ▪ Discussions regarding status/strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> ▪ Dealing with records in storage ▪ Sending job files to storage



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

Position	Rate \$	Total		Assets		Creditors		Administration		Employees		Trade On		Investigations	
		Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Partner	540.00	30.00	16,200.00	-	-	2.50	1,350.00	27.50	14,850.00	-	-	-	-	-	-
Senior Manager	400.00	100.00	40,000.00	20.00	2,000.00	5.00	2,000.00	35.00	10,000.00	2.50	1,000.00	22.50	6,000.00	15.00	5,000.00
Supervisor	295.00	82.00	24,190.00	2.00	590.00	15.00	4,425.00	47.50	14,012.50	2.50	737.50	7.50	2,212.50	7.50	2,212.50
Senior 1	265.00	82.50	21,862.50	2.50	662.50	7.00	1,855.00	53.00	14,045.00	2.50	662.50	10.00	2,650.00	7.50	1,987.50
Senior 2	235.00	333.50	78,372.50	55.00	12,925.00	46.50	10,927.50	162.00	38,070.00	27.50	6,462.50	32.50	7,637.50	10.00	2,350.00
Intermediate 1	190.00	12.00	2,280.00	-	-	3.00	570.00	7.50	1,425.00	-	-	1.50	285.00	-	-
Intermediate 2	160.00	72.50	11,600.00	-	-	11.50	1,930.00	49.50	7,920.00	2.50	400.00	2.50	400.00	1.50	240.00
Secretary	155.00	25.00	3,875.00	-	-	-	-	25.00	3,875.00	-	-	-	-	-	-
Clerk	135.00	12.00	1,620.00	-	-	-	-	12.00	1,620.00	-	-	-	-	-	-
		749.50	200,000.00	79.50	22,177.50	90.50	22,967.50	419.00	109,917.50	37.50	9,262.50	76.50	22,185.00	41.50	12,790.00



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

Based on the following anticipated tasks of the Liquidation, we estimate the Liquidators' fees at \$750,000 (exclusive of GST).

Task Area	General Description	Includes
Assets 215.00 hours \$59,300.00	Sale of business as a going concern	<ul style="list-style-type: none"> ▪ Preparing an information memorandum ▪ Liaising with valuers, auctioneers and interested parties ▪ Internal meetings to discuss / review offers received
	Plant and equipment	<ul style="list-style-type: none"> ▪ Liaising with valuers, auctioneers and interested parties ▪ Reviewing asset listings
	Sale of real property	<ul style="list-style-type: none"> ▪ Liaising with valuers, agents and strata agent ▪ Attendance at auction
	Assets subject to specific charges	<ul style="list-style-type: none"> ▪ All tasks associated with realising a charged asset
	Debtors	<ul style="list-style-type: none"> ▪ Correspondence with debtors ▪ Reviewing and assessing debtors ledgers ▪ Liaising with debt collectors and solicitors
	Stock	<ul style="list-style-type: none"> ▪ Conducting stock takes ▪ Reviewing stock values ▪ Liaising with purchasers
	Other assets	<ul style="list-style-type: none"> ▪ Tasks associated with realising other assets
	Leasing	<ul style="list-style-type: none"> ▪ Reviewing leasing documents ▪ Liaising with owners/lessors ▪ Tasks associated with disclaiming leases
Creditors 492.00 hours \$137,445.00	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone ▪ Maintaining creditor enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Correspondence with committee of creditors members
	Retention of Title Claims	<ul style="list-style-type: none"> ▪ Receive initial notification of creditor's intention to claim ▪ Provision of retention of title claim form to creditor ▪ Receive completed retention of title claim form ▪ Maintain retention of title file ▪ Meeting claimant on site to identify goods ▪ Adjudicate retention of title claim ▪ Forward correspondence to claimant notifying outcome of adjudication ▪ Preparation of payment vouchers to satisfy valid claim ▪ Preparation of correspondence to claimant to accompany payment of claim (if valid)
	Secured creditor reporting	<ul style="list-style-type: none"> ▪ Preparing reports to secured creditor ▪ Responding to secured creditor's queries
	Creditor reports/circulars	<ul style="list-style-type: none"> ▪ Preparing general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> ▪ Receipting and filing POD's when not related to a dividend ▪ Corresponding with OSR and ATO regarding POD's when not related to a dividend
	Meeting of Creditors	<ul style="list-style-type: none"> ▪ Preparation meeting notices, proxies and advertisements ▪ Forward notice of meeting to all known creditors ▪ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. ▪ Preparation and lodgement minutes of meetings with ASIC ▪ Respond to stakeholder queries and questions immediately following meeting



Task Area	General Description	Includes
Employees 200 hours \$49,400.00	Calculation of entitlements	<ul style="list-style-type: none"> ▪ Calculating employee entitlements ▪ Reviewing employee files and company's books and records ▪ Reconciling superannuation accounts ▪ Reviewing awards
	Workers compensation claims	<ul style="list-style-type: none"> ▪ Review insurance policies ▪ Correspondence with Willis regarding initial and ongoing workers compensation insurance requirements
	Other employee issues	<ul style="list-style-type: none"> ▪ Correspondence with Child Support ▪ Correspondence with Centrelink
Trade On 265.00 hours \$67,750.00	Trade On Management	<ul style="list-style-type: none"> ▪ Liaising with suppliers ▪ Liaising with management and staff ▪ Attendance on site ▪ Authorising purchase orders ▪ Maintaining purchase order registry ▪ Preparing and authorising receipt vouchers ▪ Preparing and authorising payment vouchers ▪ Liaising with superannuation funds regarding contributions, termination of employees employment ▪ Liaising with OSR regarding payroll tax issues
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Entering receipt and payments into accounting system
	Budgeting & financial reporting	<ul style="list-style-type: none"> ▪ Reviewing company's budgets and financial statements ▪ Preparing budgets ▪ Preparing weekly financial reports ▪ Finalising trading profit or loss ▪ Meetings to discuss trading position
Investigation 108.00 hours \$32,880.00	Conducting investigation	<ul style="list-style-type: none"> ▪ Collection of company books and records ▪ Correspondence with ASIC to receive assistance in obtaining books and records ▪ reconstruction of financial statements ▪ Reviewing company's books and records and Report as to Affairs ▪ Review and preparation of company nature and history ▪ Conducting and summarising statutory searches ▪ Preparation of comparative financial statements ▪ Preparation of deficiency statement ▪ Review of specific transactions and liaising with directors regarding certain transactions ▪ Liaising with directors regarding certain transactions ▪ Preparation of investigation file ▪ Lodgement of report with the ASIC pursuant to section 533 of the Act ▪ Preparation and lodgement of supplementary report if required
	Examinations	<ul style="list-style-type: none"> ▪ Preparing brief to solicitor ▪ Liaising with solicitor(s) regarding examinations ▪ Attendance at examination ▪ Reviewing examination transcripts ▪ Liaising with solicitor(s) regarding outcome of examinations and further actions available
	Litigation / Recoveries	<ul style="list-style-type: none"> ▪ Internal meetings to discuss status of litigation ▪ Preparing brief to solicitors ▪ Liaising with solicitors regarding recovery actions ▪ Attending to negotiations ▪ Attending to settlement matters
	ASIC reporting	<ul style="list-style-type: none"> ▪ Preparing statutory investigation reports ▪ Preparing affidavits seeking non lodgements assistance ▪ Liaising with ASIC



Task Area	General Description	Includes
Administration 1,524.00 hours \$375,505.00	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ First month, then 6 monthly administration review ▪ Filing of documents ▪ File reviews ▪ Updating checklists
	Insurance	<ul style="list-style-type: none"> ▪ Identification of potential issues requiring attention of insurance specialists ▪ Correspondence with Willis regarding initial and ongoing insurance requirements ▪ Reviewing insurance policies ▪ Correspondence with previous brokers
	Bank account administration	<ul style="list-style-type: none"> ▪ Preparing correspondence opening and closing accounts ▪ Requesting bank statements ▪ Bank account reconciliations ▪ Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> ▪ Preparing and lodging ASIC forms including 505, 524, 911 etc ▪ Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ Notification of appointment ▪ Preparing BAS' ▪ Completing group certificates
	Finalisation	<ul style="list-style-type: none"> ▪ Notifying ATO of finalisation ▪ Cancelling ABN / GST / PAYG registration ▪ Completing checklists ▪ Finalising WIP
	Planning / Review	<ul style="list-style-type: none"> ▪ Discussions regarding status/strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> ▪ Dealing with records in storage ▪ Sending job files to storage



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

Position	Rate	Total		Assets		Creditors		Administration		Employees		Trade On		Investigations	
	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Partner	540.00	100.00	54,000.00		-	20.00	10,800.00	80.00	43,200.00		-		-		-
Senior Manager	400.00	125.00	50,000.00	15.00	6,000.00	20.00	8,000.00	40.00	16,000.00	20.00	8,000.00	15.00	6,000.00	15.00	6,000.00
Senior Manager	400.00	125.00	50,000.00	30.00	12,000.00		-	50.00	20,000.00		-	25.00	10,000.00	20.00	8,000.00
Supervisor	295.00	50.00	14,750.00		-	15.00	4,425.00	35.00	10,325.00		-		-		-
Supervisor	295.00	200.00	59,000.00	15.00	4,425.00	25.00	7,375.00	125.00	36,875.00	5.00	1,475.00	15.00	4,425.00	15.00	4,425.00
Senior 1	265.00	50.00	13,250.00		-	15.00	3,975.00	20.00	5,300.00		-		-	15.00	3,975.00
Senior 1	265.00	215.00	56,975.00	15.00	3,975.00	25.00	6,625.00	100.00	26,500.00	35.00	9,275.00	20.00	5,300.00	20.00	5,300.00
Senior 2	235.00	400.00	94,000.00	50.00	11,750.00	75.00	17,625.00	150.00	35,250.00	50.00	11,750.00	75.00	17,625.00		-
Senior 2	235.00	400.00	94,000.00	50.00	11,750.00	100.00	23,500.00	200.00	47,000.00	20.00	4,700.00	30.00	7,050.00		-
Senior 2	235.00	400.00	94,000.00	30.00	7,050.00	20.00	4,700.00	90.00	21,150.00	20.00	4,700.00	20.00	4,700.00	20.00	4,700.00
Senior 2	235.00	51.00	11,985.00		-	17.00	3,995.00	34.00	7,990.00		-		-		-
Senior 2	235.00	150.00	35,250.00	10.00	2,350.00	15.00	3,525.00	85.00	19,975.00	20.00	4,700.00	20.00	4,700.00		-
Intermediate 1	190.00	133.00	25,270.00		-		-	133.00	25,270.00		-		-		-
Intermediate 1	190.00	100.00	19,000.00		-	30.00	5,700.00	45.00	8,550.00		-	25.00	4,750.00		-
Intermediate 2	160.00	100.00	16,000.00		-	40.00	6,400.00	60.00	9,600.00		-		-		-
Intermediate 2	160.00	100.00	16,000.00		-	65.00	10,400.00	35.00	5,600.00		-		-	3.00	480.00
Intermediate 2	160.00	150.00	24,000.00		-	10.00	1,600.00	90.00	14,400.00	30.00	4,800.00	20.00	3,200.00		-
Secretary	155.00	100.00	15,500.00		-		-	100.00	15,500.00		-		-		-
Clerk	135.00	32.00	4,320.00		-		-	32.00	4,320.00		-		-		-
Clerk	135.00	20.00	2,700.00		-		-	20.00	2,700.00		-		-		-
		3,001.00	750,000.00	215.00	59,300.00	492.00	137,445.00	1,524.00	375,505.00	200.00	49,400.00	265.00	67,750.00	108.00	32,880.00



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

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

“The Administrators remuneration, as set out in the Administrators’ remuneration report dated 9 August 2010 for the period 16 May 2010 to 31 July 2010 be fixed in the sum of \$871,109 (exclusive of GST).”

“The Administrators’ further remuneration for the period 1 August 2010 to 15 August 2010 be fixed in accordance with the hourly rates of Ferrier Hodgson up to the sum of \$200,000 (exclusive of GST).”

If the company is placed into Liquidation:

“The Liquidators’ remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$750,000 (exclusive of GST) and the Liquidators be authorised to make periodic payments on account of such accruing remuneration.”

PART B

B1 Administrators’ Disbursements

Disbursements are divided into three types **D1**, **D2** and **D3**.

- D1 Disbursements are all externally provided professional services and are recovered at cost. An example of a D1 disbursement is legal fees.
- D2 Disbursements are externally provided non professional costs such as travel, accommodation and search fees. D2 disbursements are recovered at cost.
- D3 Disbursements are internally provided non professional costs such as photocopying and document storage. D3 disbursements are charged at cost except for photocopying, printing and telephone calls which are charged at a rate which is intended to recoup both variable and fixed costs. The relevant rates are set out below.

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

Disbursements incurred to date are shown in the Summary of Receipts and Payments. Creditor approval for the payment of disbursements is not required. However, the Administrators must account to creditors. Creditors have the right to question the incurring of disbursements and can challenge disbursements in court.



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

The following receipts and payments were incurred by the Administrators for the period 16 May 2010 to 31 July 2010.

Berries 2007 Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		5,059.71
Bank Interest		41.92
Management Fees		31,096.97
Harvest Proceeds		76,508.77
CG Funding Arrangement		342,506.00
Total Receipts		455,213.37
Payments		
Bank Charges		(51.00)
Hire and Leasing		(280,471.98)
Total Payments		(280,522.98)
Net Receipts / Payments		174,690.39

Berries 2008 Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		127,062.18
Bank Interest		140.24
Management Fees		74,814.51
Harvest Proceeds		56,943.85
CG Funding Arrangement		185,291.42
Total Receipts		444,252.20
Payments		
Bank Charges		(42.05)
Harvest Costs (Labour)		(27,081.91)
Total Payments		(27,123.96)
Net Receipts / Payments		417,128.24



Brushwood 01 Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		8.92
Bank Interest		6.08
Total Receipts		15.00
Payments		
Bank Charges		(31.65)
Total Payments		(31.65)
Net Receipts / Payments		(16.65)

Cash Management Account (Planting Fund)

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		1,133,728.94
Bank Interest		1695.20
Total Receipts		1,135,424.14
Payments		
Bank Charges		(30.00)
Total Payments		(30.00)
Net Receipts / Payments		1,135,394.14

Custodian Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		28,467.62
Bank Interest		27.29
Total Receipts		28,494.91
Payments		
Bank Charges		(30.00)
Total Payments		(30.00)
Net Receipts / Payments		28,464.91



SLF Licensee Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		58,446.29
Bank Interest		56.04
Total Receipts		58,502.33
Payments		
Bank Charges		(30.00)
Total Payments		(30.00)
Net Receipts / Payments		58,472.33

RGAG and CG Operating Account

Summary of Receipts and Payments		\$
Receipts		
RGAG Funding Agreement		1,290,542.47
CG Funding Agreement		185,373.52
Bank Interest		84.89
Total Receipts		1,476,000.88
Payments		
Land Leases		(1,177,595.76)
Bank Charges		(48.25)
Legal Fees		(51,166.88)
Compliance Costs		(9,346.91)
Overheads		(13,409.57)
Casual Labour		(202,253.85)
Professional Fees		(11,639.03)
Total Payments		(1,465,460.25)
Net Receipts / Payments		10,540.63



Ord Orchard Land Unit Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		2659.83
Bank Interest		2.32
Total Receipts		2,662.15
Payments		
Bank Charges		(30.00)
Total Payments		(30.00)
Net Receipts / Payments		2,632.15

Sandalwood 2000 Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		120.41
Bank Interest		0.08
Total Receipts		120.49
Payments		
Bank Charges		(80.75)
Total Payments		(80.75)
Net Receipts / Payments		39.74

Tropical Citrus 02 Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		29.71
Harvest Proceeds		586,197.81
Bank Interest		196.72
Management Fees		8,208.35
Total Receipts		594,632.59
Payments		
Bank Charges		(83.25)
Harvest Costs		(1,709.66)
Total Payments		(1,792.91)
Net Receipts / Payments		592,839.68



Tropical Fruits 03 Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		23.39
Bank Interest		1360.83
Harvest Proceeds		67883.16
Total Receipts		69,267.38
Payments		
Bank Charges		(1,398.33)
Total Payments		(1,398.33)
Net Receipts / Payments		67,869.05

Tropical Fruits 04 Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		31.05
Bank Interest		72.38
Management Fees		1,703.21
Harvest Proceeds		143,020.79
Total Receipts		144,827.43
Payments		
Bank Charges		(83.00)
Sundry Expenses		(5,026.19)
Total Payments		(5,109.19)
Net Receipts / Payments		139,718.24

Tropical Fruits 05 Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		303.64
Bank Interest		0.31
Management Fees		192.87
Total Receipts		496.82
Payments		
Bank Charges		(81.00)
Total Payments		(81.00)
Net Receipts / Payments		415.82



Tropical Fruits 06 Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		116,164.18
Bank Interest		98.63
Management Fees		991.21
Total Receipts		117,254.02
Payments		
Bank Charges		(33.50)
Total Payments		(33.50)
Net Receipts / Payments		117,220.52

Tropical Fruits 07 Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		233,488.70
Bank Interest		198.39
Management Fees		2,717.99
Total Receipts		236,405.08
Payments		
Bank Charges		(33.30)
Total Payments		(33.30)
Net Receipts / Payments		236,371.78

Tropical Fruits 08 Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		483.89
Bank Interest		0.43
Management Fees		-
Total Receipts		484.32
Payments		
Bank Charges		(80.75)
Total Payments		(80.75)
Net Receipts / Payments		403.57



Vineyards Project 2 Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		91,899.18
Bank Interest		78.00
Total Receipts		91,977.18
Payments		
Bank Charges		(32.40)
Total Payments		(32.40)
Net Receipts / Payments		91,944.78

Vineyards Trust Account

Summary of Receipts and Payments		\$
Receipts		
Pre-Appointment Cash at Bank		115,233.98
Bank Interest		112.94
Management Fees		430,315.21
Total Receipts		545,662.13
Payments		
Bank Charges		(32.65)
Total Payments		(32.65)
Net Receipts / Payments		545,629.48

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

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 Sean Holmes of this office.

Dated this 9th day of August 2010.

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

Martin Jones

Joint and Several Administrator of
Rewards Projects Ltd

Annexure 2

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.

Annexure 3

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 9th day of August 2010.



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



ANDREW SAKER



DARREN WEAVER

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

Annexure 4

Group Background

9 August 2010

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

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

BACKGROUND INFORMATION REGARDING THE GROUP

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

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

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 and
 Kroll Worldwide
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 UNITED KINGDOM

1. Administrators' Function

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

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

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

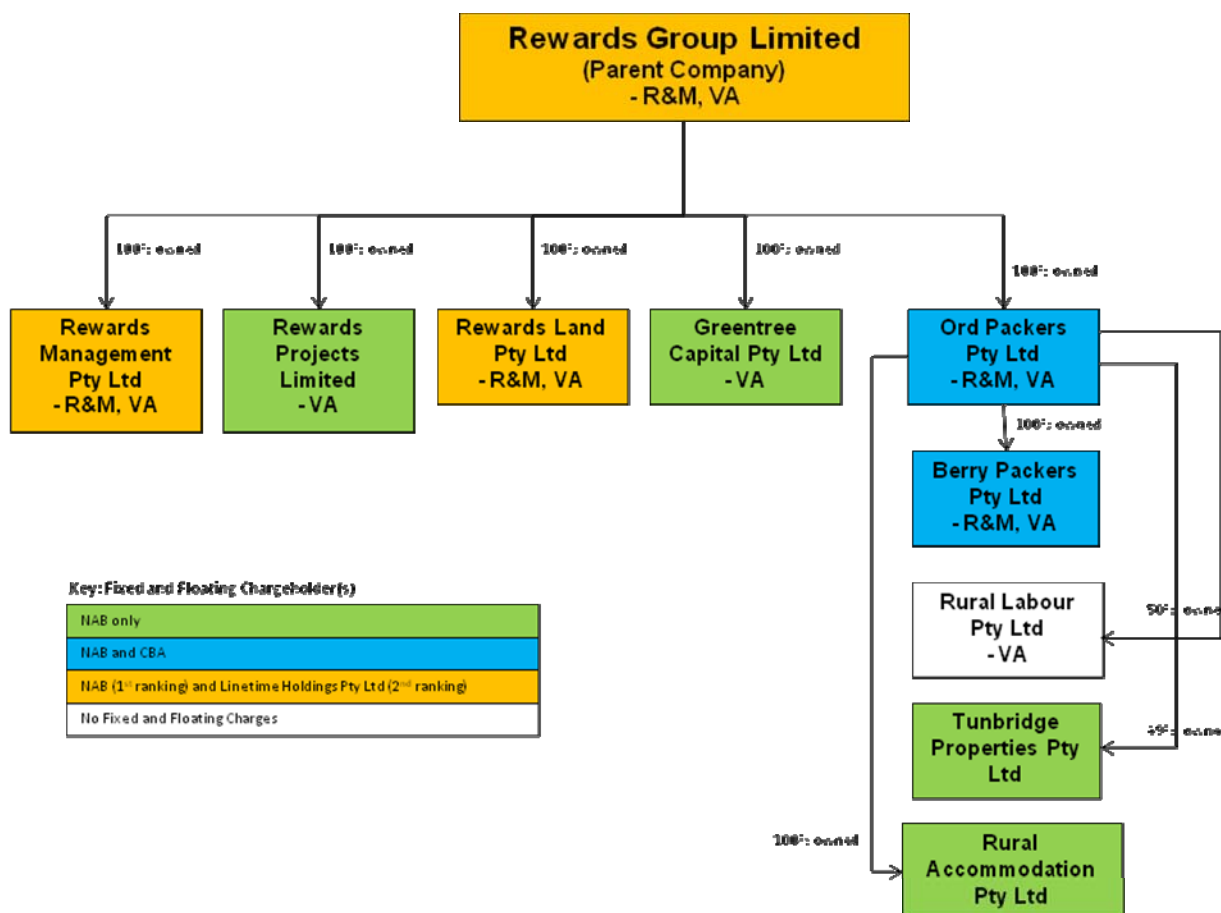
Our role as Joint and Several Administrators of the Group is to control the Group's businesses, properties and affairs to the extent that same are not within the R&M's control, with a view to facilitating the execution of a Deed of Company Arrangement (DOCA) to reorganise the Group's affairs in the event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

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

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

2. Diagram of the Group Structure

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



3. Role of each Company within the Group

RGL

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

RPL

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

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

RMPL

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

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

RLPL

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

GCPL

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

OPPL

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



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

BPPL

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

Rural Labour

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

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

4. Group Weaknesses

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

5. Group Strengths

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



6. Future of the Group

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

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

Enquiries in relation to the Companies may be submitted via email to rewardsgroup@fh.com.au.

Annexure 5

RGAG letter of support to adjourn meetings of the Group

6 August 2010

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

By email: Martin.Jones@fh.com.au

Dear Sir,

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

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

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

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

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

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

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

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

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

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

Yours faithfully

Rewards Growers Advocacy Group Inc



Michael Bugelly

President

THE SCHEDULE

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

* Receivers and Managers also appointed