

Rewards Group Limited 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
Rural Labour Pty Ltd ACN 130 732 786
(All Subject to Deed of Company Arrangement)
(Some Receivers and Managers Appointed)



**Report by Deed Administrators
pursuant to Section 445F of
the Corporations Act 2001**

Martin Jones

Darren Weaver

Andrew Saker

8 April 2011



FERRIER HODGSON

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Glossary of Common Terms

Abbreviation	Description
ACN	Australian Company Number
Act	The Corporations Act 2001
ASIC	Australian Securities and Investments Commission
DOCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
GST	Goods and Services Tax
MIS project	Managed Investment Scheme
the Group	Rewards Group Limited, Rewards Projects Limited, Rewards Management Pty Ltd, Rewards Land Pty Ltd and Rural Labour Pty Ltd (Subject to Deed of Company Arrangement) (Some Receivers and Managers Appointed)
RGAG	Rewards Growers Advocacy Group Inc
Statement	Directors' Statement about the Company's Business, Property, Affairs and Financial Circumstances

Listing of Annexures

Annexure 1 Deed Administrators' Remuneration Report



1. Executive Summary

We refer to the appointment of Martin Jones, Andrew Saker and Darren Weaver as Joint and Several Administrators of the Group on 16 May 2010, pursuant to section 436A of the Corporations Act 2001 (the Act) and our subsequent appointment as Joint and Several Deed Administrators on 9 November 2010. We also refer to our section 439A of the Act Reports to Creditors of the Group dated 9 August 2010 and 12 October 2010 which should be read in conjunction with this report.

Creditors of the Group approved the Deed of Company Arrangement (DOCA) proposal put forward by The Rewards Growers Advocacy Group Inc (RGAG) at the meeting of creditors held on 19 October 2010. The DOCA's for each entity of the Group were executed on 9 November 2010 and lodged with the Australian Securities and Investments Commission (ASIC) as required under the Act.

Subsequent to the DOCA's being approved by creditors a Deed of Forbearance (DoF) was entered into between the Group and the Receivers and Managers of Rewards Land Pty Ltd and The Ark Fund Limited (Ark) wherein National Australia Bank Limited (NAB) agreed not to dispose of the Rewards Land Pty Ltd and Ark properties incorporated in the DOCA's provided that certain conditions were satisfied. We note that the Administrators' statutory protection provided pursuant to section 440C of the Act to maintain occupation of the leased properties despite lease termination notices being issued by the Receivers and Managers of Rewards Land Pty Ltd and Ark ceased on 19 October 2010. As a condition of the DoF, Rewards Projects Limited and RGAG acknowledged that the leasehold interest in the Rewards Land Pty Ltd and Ark properties had been determined and provided vacant possession of the properties to the Receivers and Managers on 20 October 2010.

A key condition of the DOCA's required that Black Tree Pty Ltd (Black Tree) and Food and Beverage Australia Ltd (FABAL) (or their nominees) put forward conditional contracts of sale for the purchase of the Group's and Ark's properties by 8 November 2010 following which these contracts were to become unconditional by 31 January 2011. It was also a requirement under the DoF that the Receivers and Managers must be satisfied that NAB's debt will be paid in full by RGAG, Black Tree, FABAL or any other party by 28 February 2011. These contracts were submitted, however did not become unconditional by 31 January 2011 as required under the DoF. As a consequence, the Receivers and Managers terminated the DoF, although an extension was requested by RGAG and effectively the Receivers and Managers now have the power to dispose of the properties owned by Rewards Land Pty Ltd and Ark.

Notwithstanding termination of the DoF, RGAG was still encouraged to submit another proposal to NAB for its consideration having regard to the existing circumstances. On 4 March 2011 RGAG in conjunction with an investment and management consortium (the Consortium) presented an offer to the Receivers and Managers of the Group and Ark and NAB to acquire all the land and related assets of the Group MIS projects and continue the existing viable MIS projects.

This offer was rejected and NAB has decided to put the properties to the market for sale in whole or in part. Expressions of interest were requested by the Receivers and Managers to be made by 25 March 2011 for the horticultural assets and 1 April 2011 for the forestry assets. We understand that the Consortium has submitted an expression of interest and RGAG continues to work closely with the Consortium to acquire all the land assets of the Group MIS projects and keep all viable MIS projects operating as proposed under the existing DOCA's.



The Group and Ark's DOCA's have remained on foot despite the termination of the DoF. The DOCA's require that by 31 March 2011 amongst other conditions that satisfactory arrangements had to be made to facilitate full repayment of the debts owed by the Group and Ark to NAB.

In view of continuing interest in acquiring the properties and working towards preserving value for growers the RGAG has requested that the Deed Administrators of the Group put forward a resolution to creditors of each entity of the Group that the timeframe for satisfaction of the critical events of the respective DOCA's be extended to 29 July 2011. This date is consistent with the extension date approved by creditors of Ark on 31 March 2011 and the Receivers and Managers' anticipated sale campaign timeframe, as we understand it.

In view of the above, a concurrent meeting of creditors of the Group has been convened for **Tuesday, 19 April 2011 at the Kings Hotel Perth, 517 Hay Street, Perth, Western Australia at 10.00 am WST** to consider the proposed variation to the respective DOCA's.

In respect of the proposed variation above it is the Deed Administrators' recommendation that creditors of each entity of the Group resolve to accept the variation for the following key reasons:

1. The proposed variation allows further opportunity for RGAG and the Consortium to potentially put forward a revised proposal to NAB to satisfy its debt, or at the least, if the DOCA's are extended, RGAG and the Consortium (at this point) wish to leave the existing proposal (or a proposal materially on terms with that proposed on 4 March 2011) open for acceptance by NAB. The proposed extension timeframe is consistent with Ark's varied DOCA and the Receivers and Managers' sale campaign. It is unknown as to whether the Receivers and Managers will receive any alternate proposals or offers as a result of their sale campaign and thus the existing or revised proposal from RGAG and the Consortium may be the best proposal available which is likely to provide a better return to creditors than if the Group was immediately placed into liquidation.
2. In light of the Receivers and Managers' sale campaign the proposed variation of the DOCA's may create competitive tension in the market which may maximise the value realised for the Group's assets. The RGAG has reiterated that it wishes to find the best solution for all stakeholders of the Group which may entail a superior proposal from an alternate party.

If the DOCA's are varied as proposed we also highlight that there are a number of key risks to completion of the DOCA's and these are detailed below:

1. Uncertainty as to the outcome of the Receivers and Managers' sale campaign and whether the proposal put forward by RGAG will be acceptable to NAB.
2. That the sale of the properties contemplated under the DOCA's do not complete even if NAB accepts RGAG's proposal.
3. That growers do not approve the variations to be proposed to various MIS project constitutions as proposed.

During the course of the Administration, we have made preliminary enquiries into the Group's affairs and the various transactions the Group has entered into and in this regard we have identified a number of contingent claims. However any future appointed liquidator would be required to conduct a more comprehensive investigation and consider action in respect of recoveries (if any).



Rewards Projects Limited acts as the Responsible Entity (RE) for numerous MIS projects that have been established by the Group. This report and accompanying notice of meeting was provided to each of the investors in those projects 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 this report

This report details the proposed variation to the DOCA's, the circumstances leading up to the proposed variation and the Deed Administrators' opinion regarding the future of the Group in accordance with the Act and DOCA's.

2.2 Meeting of creditors

As discussed earlier, a concurrent meeting of creditors of the Group has been convened for **Tuesday, 19 April 2011 at the Kings Hotel Perth, 517 Hay Street, Perth, Western Australia at 10.00 am WST** to consider the proposed variation to the respective DOCA's.

At the meeting, creditors of each Group entity will decide each respective Group's future in voting on one of the following options:

- That the DOCA be varied and the timeframe for critical events to be satisfied under the DOCA be extended to 29 July 2011; or
- That the company should be wound up.

2.3 Non-disclosure of certain information

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

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

We appreciate the need to provide creditors with complete disclosure of all necessary information relating to the Group in order to make decisions. However, as this information is commercially sensitive, it is not in creditors' interests for us to disclose the information publically at this stage. The Committees of Creditors are privy to a greater level of information. The members of the Committees of Creditors have signed and are bound by confidentiality agreements with the Deed Administrators.

2.4 Access to Group's Books and Records

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

2.5 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.

Additionally, during the administration to date I declare that I entered into the following funding arrangements:

- **Facility Agreement between RGAG and the Administrators of Rewards Projects Limited dated 25 June 2010.**

Pursuant to this agreement RGAG advanced approximately \$1.6 million to the Administrators of Rewards Projects Limited to conduct maintenance works on the Group's properties to preserve and maintain the properties. This arrangement was approved by the Group's committee of creditors and was approved by the Supreme Court of Western Australia in June 2010. The funds remain to be repaid to RGAG from the respective MIS projects where funds were advanced and expended. As such RGAG holds a lien over these respective MIS projects pursuant to the agreement for repayment of the same. The advances from RGAG under this agreement were not utilised to meet the Administrators' professional fees.

- **Crop and Finance Tripartite Deed between RGAG, the Administrators of Rewards Projects Limited and FABAL dated 17 September 2010.**

Pursuant to this agreement the Administrators of Rewards Projects Limited engaged FABAL to conduct the harvest of tropical fruit crops at the Group's Childers, Kumbia, Mareeba and Dandaragan properties. FABAL advanced approximately \$500k under the agreement to the Administrators to meet expenditure incurred on these properties. FABAL holds a lien over these respective properties for the advances of funds. This arrangement was approved by the Group's committee of creditors and was approved by the Supreme Court of Western Australia in September 2010. The advances from FABAL under this agreement were not utilised to meet the Administrators' professional fees.

Following acceptance of RGAG's DOCA by Group creditors and pursuant to the DoF this arrangement was terminated in October 2010 given that possession of the Ark and Rewards Land Pty Ltd properties were returned to the Receivers and Managers. However, we note that the rights and obligations between the parties to the Deed up until termination date remain in force.

- **Harvest and Access arrangement between Kimberley Produce and the Deed Administrators of Rewards Projects Limited agreed on 18 March 2011.**

Pursuant to this agreement the Deed Administrators of Rewards Projects Limited engaged Kimberley Produce to conduct the harvest of red grapefruit in Kununurra. The harvest is currently being conducted as later detailed in this report. Under the agreement Kimberley Produce is funding certain of the harvest expenses which will be incurred directly by Kimberley



Produce on behalf of the Deed Administrators. This arrangement was supported by RGAG and the Receivers and Managers of Ark and the Group. No funds are being advanced to meet the Deed Administrators' professional fees.

- **Advances from Black Tree Pty Ltd to the Administrators of Rewards Projects Limited**

From time to time since December 2010 Black Tree has advanced funds to the Deed Administrators of Rewards Projects Limited to meet costs in relation to the possible restructure and continuation of the Group's forestry MIS projects. These costs have included legal costs, leasing costs, taxation advice fees and printing costs. No funds have been advanced in respect of the Deed Administrators' professional fees.

- **Funding from CBA and Investec Bank**

In respect of servicing Rewards Management's loan portfolios on behalf of CBA and Investec Bank I advise that both parties advanced funds to the Administrators of Rewards Management to meet ongoing servicing overhead costs which included payment for office rent, staff costs and ancillary costs. I also advise that CBA and Investec advanced funds totalling approximately \$80k to the Administrators to meet their specific professional fees in respect of matters dealt with on behalf of these parties. No funds were advanced to meet the Administrators' general professional fees for administering the administration of the Group.

I have not been indemnified in relation to the administration of the Group in respect of my fees, other than to the extent of any indemnities that I may be entitled to under statute and have not been advanced any funds other than those noted above in respect of my fees. 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. Please also refer to our declaration annexed to our reports of 12 October 2010.

3. Group Information

3.1 Statutory information

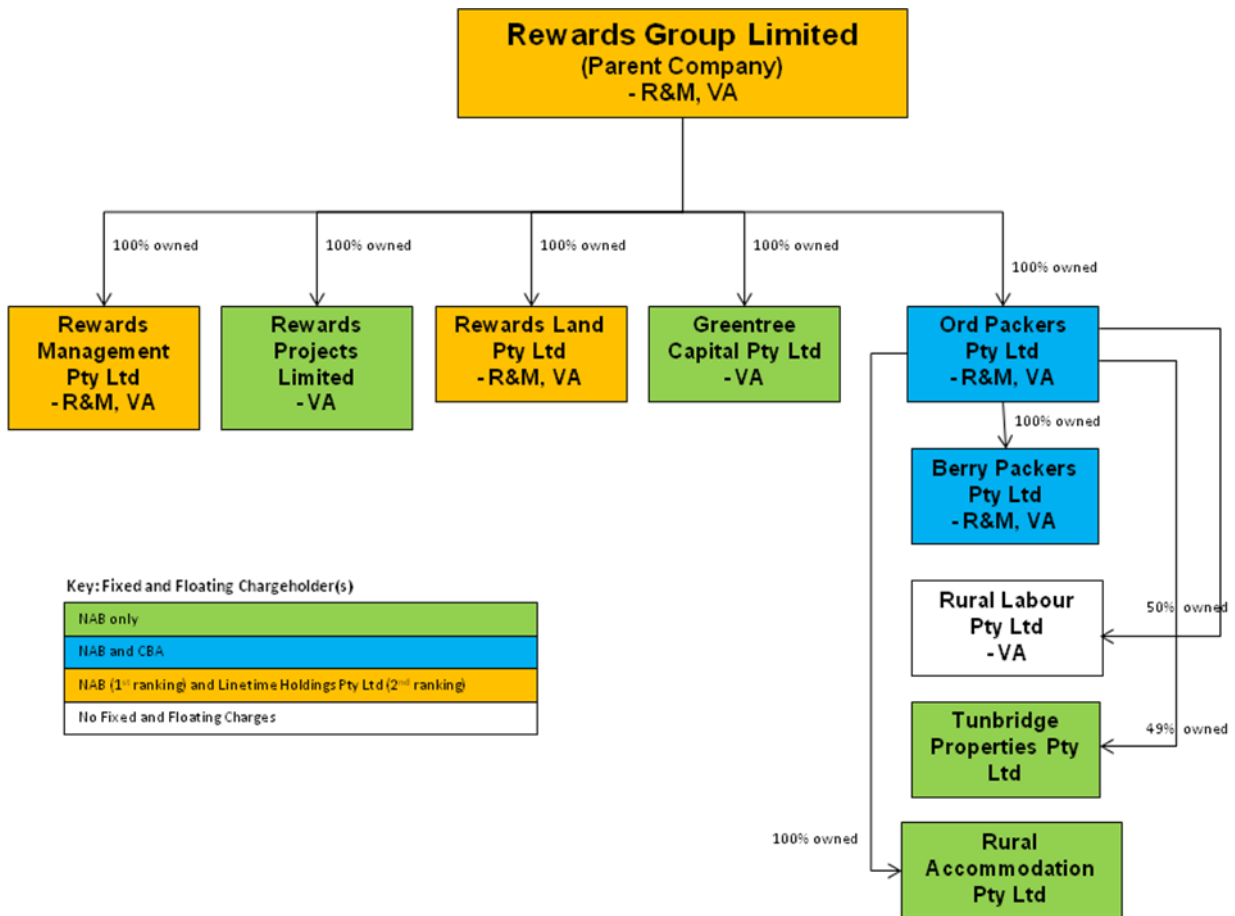
Please refer to our section 439A of the Act Reports to Creditors dated 9 August 2010 for statutory information pertaining to the Group.

3.2 Group history

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

3.2.1 Group Structure

Set out below is a diagram of the Group's corporate structure as at the date of our appointment.





Rewards Projects Limited is the RE for the following MIS projects:

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

4. Historical Financial Information

4.1 Preparation of financial statements

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

5. Directors' Statement

5.1 Summary

Section 438B of the Act requires the directors to give an Administrator a Statement. As previously advised, we received the directors' Statements on 1 June 2010 and the various Statements are consistent.

Please refer to our section 439A of the Act Reports to Creditors dated 9 August 2010 and 12 October 2010 for details regarding the assets and liabilities as depicted in the directors' Statements and the Deed Administrators' estimates of the same. For your reference we summarise these below:

Rewards Projects Limited

Statement as at 16 May 2010	Cost or Net Book Value (\$)	Administrators' ERV (\$)
Assets:		
Interest in Land	1,015,045	Unascertained
Debtors	319	Unascertained
Other Assets	6,139,834	Unascertained
Sub Total	7,155,198	Unascertained
Less amounts owing under charges	Nil	Unascertained
Total Available Assets to Unsecured Creditors	7,155,198	Unascertained
Ordinary unsecured creditor claims	(338,677)	(28,440,579)
Estimated Surplus/(Deficiency)	\$6,816,521	Unascertained

Rewards Group Limited

Statement as at 16 May 2010	Cost or Net Book Value (\$)	Administrators' ERV (\$)
Assets:		
Sundry Debtors	117,028	Unascertained
Cash at Bank	1,143	158
Inventory	Nil	Unascertained
Plant and Equipment	Nil	Unascertained
Less: Secured Creditor	Nil	Undisclosed
Office Equipment	Nil	Unascertained
Other Assets	14,465,098	Unascertained
Sub Total	14,583,269	Unascertained
Liabilities:		
Priority creditors	Nil	Nil
Less: Secured Creditors		
NAB	Undisclosed	Undisclosed
CBFC	Undisclosed	Undisclosed
Esanda	Undisclosed	Undisclosed
Linetime Holdings Pty Ltd	(1,783,643)	(1,783,643)
Contingent Liabilities	Nil	Nil
Total Available Assets to Unsecured Creditors	Unascertained	Unascertained
Ordinary unsecured creditor claims	(12,311,657)	(12,311,657)
Estimated Surplus/(Deficiency)	Unascertained	Unascertained



Rewards Land Pty Ltd

Statement as at 16 May 2010	Cost or Net Book Value (\$)	Administrators' ERV (\$)
Assets:		
Land	29,869,270	Undisclosed
Sundry debtors	11,113	Nil
Cash on hand	Nil	Nil
Cash at bank	5,532	5,532
Inventory	Nil	Unascertained
Plant and equipment	Nil	Unascertained
Less: secured creditor	Nil	Unascertained
Office equipment	Nil	Unascertained
Investments	3,308,443	Unascertained
Property deposits	325,354	Unascertained
Total Available Assets	33,519,712	Unascertained
Assets subject to specific charges	29,869,270	Undisclosed
Less: amounts owing under the charges	Nil	Nil
Less: priority creditors	Nil	Nil
Employee entitlements payable in advance of secured creditors	Nil	Nil
Secured Creditor - NAB	Undisclosed	Unascertained
Secured Creditor – Linetime Holdings Pty Ltd	Undisclosed	(1,783,643)
Available to Unsecured Creditors	Unascertained	Unascertained
Ordinary unsecured creditor claims	(25,459,038)	(25,459,038)
Estimated Surplus/(Deficiency)	Unascertained	Unascertained

Rewards Management Pty Ltd

Statement as at 16 May 2010	Cost or Net Book Value (\$)	Administrators' ERV (\$)
Assets:		
Debtors	58,130,608	Unascertained
Cash at bank	85,167	85,167
Plant and Equipment	21,410,676	Unascertained
Other Assets	10,279,920	Unascertained
Sub Total	89,906,371	Unascertained
Less: Priority Creditors	(403,313)	Unascertained
Assets subject to specific charges	(27,888,588)	Unascertained
Secured Creditor - NAB	Undisclosed	(26,000,000)
Secured Creditor – Linetime Holdings Pty Ltd	Undisclosed	(1,783,643)
Partly Secured Creditors	(6,380,862)	Unascertained
Total Available Assets to Unsecured Creditors	55,233,608	Unascertained
Ordinary unsecured creditor claims	(11,565,343)	(16,877,192)
Estimated Surplus/(Deficiency)	\$43,668,265	Unascertained



Rural Labour Pty Ltd

Statement as at 16 May 2010	Cost or Net Book Value (\$)	Administrators' ERV (\$)
Assets:		
Sundry debtors	1,444,661	Unascertained
Cash at bank	2,860	846
Motor vehicles	Nil	14,000
Other assets	Unascertained	Nil
Sub Total	Unascertained	Unascertained
Liabilities:		
Less: Priority creditors		
- Employee entitlements	Nil	(208,145)
Total Priority Creditors	Nil	(208,145)
Available to Unsecured Creditors	Unascertained	Unascertained
Ordinary unsecured creditor claims	(1,382,937)	(1,489,219)
Estimated Surplus/(Deficiency)	Unascertained	Unascertained
Estimated rate of dividend to Unsecured Creditors	Unascertained	Unascertained

The estimated realisable values set out above are based on the directors' Statements and the Group's books and records and are not necessarily endorsed by the Deed Administrators. The Deed Administrators have not audited the Group's records or the directors' Statements. The Deed Administrators have provided their own ERV with respect to the Group's liability position only.

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

Care should be taken in relying on the directors' Statements for, but not limited to, the following reasons:

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

Further, the above tables 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 Deed Administrators and, in particular:

- The Deed 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 processes.

6. Trading by Deed Administrators

At present, as Deed Administrators of Rewards Projects Limited we continue to manage the MIS projects of the Group.

As required under the DOCA's and DoF, the Receivers and Managers and the Deed Administrators entered into a new harvest agreement with FABAL for the harvest of the tropical fruit 2006, 2007 and 2008 crops at Mareeba, Kumbia, Dandaragan and Childers.

The harvests conducted by FABAL have been completed however we are yet to receive the final financial results of the harvests. We understand from FABAL that certain fruit harvested was of poor quality and did not meet specifications of purchasers and as such certain fruit was rejected by purchasers which has affected the underlying profitability of the harvests. We anticipate that the financial results of the harvest will be finalised during April 2011. The preliminary results we have received indicate that no surplus funds will be available to Rewards Projects Limited or growers as previously anticipated.

As noted above, the Receivers and Managers are now in the control of the majority of the properties where the Group's MIS projects operated however the Receivers and Managers are not in control of the Kununurra properties. The Deed Administrators continue to maintain the Kununurra properties.

The Deed Administrators have entered into an arrangement with Kimberley Produce to conduct and in part fund the harvest of the red flesh grapefruit located on the Kununurra properties. The MIS projects with an interest in these fruits are the tropical citrus 2002, and tropical fruits 2003 to 2005 projects. Accordingly, only growers of these projects will be invoiced the fourth quarter management fee instalment. Growers of the tropical fruits 2006 to 2008 projects will not be invoiced given that possession of the properties where these projects operated is now in the hands of the Receivers and Managers.

The harvest commenced on 21 March 2011 and is anticipated to be completed around the end of April 2011 with approximately 1,200 tonnes of fruit to be harvested from the property leased to Rewards Projects Limited. The result of the harvest will be reported to growers in due course.

Funds collected from the fourth quarter management fee instalment will be utilised to fund the harvest costs and ongoing maintenance of the properties which continue to be leased to Rewards Projects Limited.

Funds collected from the past three (3) instalments and the funding provided by RGAG have allowed the Deed Administrators to:

- Meet the ongoing lease obligations for Rewards Projects Limited's occupation of the horticulture project properties.
- Engage FABAL to conduct the harvest of tropical fruit at Childers, Kumbia, Dandaragan, and Mareeba.
- Carry out ongoing maintenance works and preservation of the crops at the above properties until the Receivers and Managers took control of the properties.
- Carry out ongoing maintenance works and preservation of the crops at the Kununurra properties.
- Undertake the harvesting of mangos at the Kununurra properties.
- Commence the harvesting of red flesh grapefruit at the Kununurra properties.

6.1 Summary of receipts and payments

A summary of the Deed Administrators' receipts and payments of the Group for the period 16 May 2010 to 28 February 2011 is included within Part B of the Deed Administrators' Remuneration Report in **Annexure 1**.

7. Statutory Investigations

Please refer to our section 439A of the Act Reports to Creditors dated 9 August 2010 and 12 October 2010 for details of our preliminary investigations into the Group's affairs and conduct of its officers prior to our appointment. No further material issues have been identified for investigation since my report of 12 October 2010.

We note that at this point given the lack of funding in the Administrations we have only considered seeking legal advice in relation to certain matters identified. Our investigations are continuing and we are currently awaiting legal advice on several matters. We will report to creditors following the outcome of these investigations and receipt of the advice sought, where appropriate.

Given the nature of the claims we have identified and possible costs involved in investigating and pursuing such claims, it is currently difficult to determine with any degree of certainty the quantum of such claims and their validity which may be ultimately realised for creditors.

7.1 Report to ASIC

Section 438D of the Act requires an Administrator 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 companies 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 companies over which I am appointed.

As previously advised, based upon our preliminary investigations conducted to date and possible contraventions discussed above, we advise that we have lodged a confidential report to ASIC pursuant to section 438D of the Act outlining these issues for ASIC's attention. The ASIC has requested a supplementary report from us concerning these matters which we are currently preparing. The contents of this report are confidential between ASIC and the Deed Administrators.

8. Status of DOCA's

8.1 Status of key events

As you would be aware, at the meetings of creditors of the Group held on 19 October 2010, and in accordance with the Administrators' recommendation, creditors resolved to approve the DOCA proposal put forward by RGAG.

The DOCA's were executed by each entity of the Group on 9 November 2010 and were lodged with the ASIC as required under the Act.

The timeline for the key milestones under the DOCA's and their current status are tabled below:

Stage	Key Event	Date	Status
Stage 1	The Group DOCA to be approved by creditors	19 October 2010	Completed
Stage 2	The Group DOCA to be executed	By 9 November 2010	Completed
Stage 3	The Ark Fund Ltd DOCA to be approved by creditors	Estimated during November 2010	Completed
Stage 4	The Ark Fund Ltd DOCA to be executed	Estimated during November 2010	Completed
Stage 5	Execution and submission of conditional contracts of sale from Black Tree and FABAL	By 8 November 2010	Completed
Stage 6	Completion of due diligence by Black Tree and FABAL	Ongoing	Completed
Stage 7	Call meetings of unit trusts to consider replacement Responsible Entity	By 30 November 2010	Completed
Stage 8	MIS scheme meetings to be held to change constitutions	Estimated during January 2011	Completed for forestry schemes
Stage 9	MIS scheme meetings held to change responsible entity, if required	Estimated during January 2011	Incomplete
Stage 10	Contracts of sale become unconditional	Estimated by 31 January 2011	Incomplete
Stage 11	Financial closure, DOCA terminated and creditor trust formed	31 March 2011	Incomplete

The key events of the DOCA's and their current status are discussed below:

8.2 Control of Group properties

We note that the Administrators' statutory protection provided pursuant to section 440C of the Act to maintain occupation of the leased properties despite lease termination notices being issued by the Receivers and Managers of Rewards Land Pty Ltd and Ark ceased on 19 October 2010. As a condition of the DoF, Rewards Projects Limited and RGAG acknowledged that the leasehold interest in the Ark and Rewards Land Pty Ltd properties had been determined and provided vacant possession of the properties to the Receivers and Managers on 20 October 2010.

Pursuant to the Group DOCA's and consistent with the DoF executed on 29 October 2010, possession of properties owned by Rewards Land Pty Ltd and Ark were handed to the Receivers and Managers of those companies. Despite possession reverting to the Receivers and Managers in accordance with the DoF the Receivers and Managers agreed not to dispose of the properties provided that certain key milestones were achieved by specified dates. Since this time, the Receivers and Managers have been responsible for the ongoing maintenance of the properties under their control.

8.3 Ark DOCA

As required under the Group DOCA's RGAG put forward a DOCA for Ark during November 2010. The DOCA was approved by creditors of Ark at a meeting held on 16 December 2010. This meeting was held later than originally anticipated given that during November 2010 we understand that two (2) additional parties expressed an interest and submitted proposals for the corporatisation of Ark which entailed Ark acquiring a 100% interest in the Group and growers' interests in the MIS projects managed by the Group being converted into shares in Ark. In this regard, the Ark Administrator required further time to discuss and negotiate these proposals.

Whilst the above proposals were for the corporatisation of Ark and any proposal would need to be accepted by Ark's creditors, the Ark Administrator provided me with a copy of these proposals for review and comment given the impact the proposals would have on growers and the likely return to creditors of the Group, if accepted. In summary, both proposals received proposed the corporatisation of Ark as noted above and the provision of a loan to satisfy the NAB's debt and provide working capital for ongoing operations subject to certain Group and Ark property value covenants being satisfied. The return to Group creditors was proposed through a share allocation. I reviewed the proposals and advised the Ark Administrator that I considered that the proposals were incapable of being implemented given certain conditions imposed as part of the proposal were unlikely to be satisfied.

At the time of issue of the Ark Administrators' report to creditors on 8 December 2010, the RGAG DOCA was the only DOCA proposal put forward and the Ark Administrator in his report to creditors did not put forward any proposal from an alternate parties, although the Ark Administrator advised that he was in discussions with two (2) additional parties regarding potential DOCA proposals for Ark as mentioned above.

As required, the Ark DOCA was executed on 11 January 2011. Subsequent to the DOCA being executed an amended proposal for the corporatisation of Ark was provided to me by the Ark Administrator, although it was similar to a proposal submitted during November 2010. I understand from the Ark Administrator that the amended proposal was prepared by parties working with the proponent and as such the proposal was not in final form and was subject to approval by the proponent. Again, whilst the proposal would be required to be approved by Ark's creditors, the Ark Administrator provided me with a copy of the amended proposal for

review and comment given the impact the proposal would have on growers and the likely return to creditors of the Group, if accepted.

At this stage, I understand from the Ark Administrator that the proponent has not finalised and approved any amended proposal for the corporatisation of Ark. The RGAG DOCA for Ark currently remains on foot and has been extended to 29 July 2011 following a meeting of creditors held on 31 March 2011.

8.4 Conditional contracts of sale

Black Tree and FABAL and / or their nominees submitted executed conditional contracts of sale for the DOCA properties by 8 November 2010 as required under the DOCA's and DoF.

Black Tree submitted conditional contracts of sale for the purchase of various DOCA forestry properties whilst FABAL submitted conditional contracts of sale for the purchase of various DOCA horticulture properties.

As a condition of the sale of the DOCA properties, the Deed Administrators of the Group and Ark were required to obtain two (2) independent valuations of the DOCA properties to ensure that the transactions did not proceed for an amount less than the average of the valuations obtained. In this regard, following the acceptance of RGAG's DOCA by Ark creditors in late December 2010, the Deed Administrators of the Group in conjunction with the Ark Deed Administrators issued instructions to various valuers to conduct independent valuations of the DOCA properties. Initially proposals were received which would have resulted in the valuations being presented prior to the Christmas holiday break. Unfortunately, with the Ark creditors not meeting and adopting the RGAG DOCA proposal until 16 December 2010, the delay of approximately four (4) weeks materially affected the timing of completing the valuation process.

Given that the Group DOCA's were contingent on the RGAG Ark DOCA being approved by creditors and the cost of conducting the valuations is to be funded by RGAG pursuant to the DOCA's it was not considered appropriate to engage valuers until the Ark DOCA had been approved.

In view of the above, along with the Christmas / New Year break and recent cyclone and flooding in the eastern states not all valuations were able to be completed by 31 January 2011 as requested and they were completed during February 2011. We instructed the respective valuers to provide an assessment based on the following assumptions:

- i. Market value on an as is, where is, basis of each DOCA property of the Group and Ark (with property meaning: land, irrigation, dams, sheds, roads, infrastructure, water rights and excluding all trees situated thereon) with leases/licences in place pursuant to such leases that were terminated at the time the DoF was executed as if the lease obligations continue for the duration of the respective terms.
- ii. Market value on an as is, where is, going concern basis of each DOCA property of the Group and Ark (with property meaning: land, irrigation, dams, sheds, roads, infrastructure, water rights and including all trees situated thereon) on an unencumbered basis and assuming the payment of cash consideration between a willing buyer and a willing seller.
- iii. Market value on an as is basis for each DOCA property of the Group and Ark (with property meaning: land, irrigation, dams, sheds, roads, infrastructure, water rights and excluding all trees situated thereon) on an unencumbered basis and allowing for the costs of removing the existing trees and rehabilitating the properties.

A key condition of the DoF was that the Black Tree and FABAL offers become unconditional by 31 January 2011. This did not occur. In this regard, the Receivers and Managers terminated the DoF and effectively the Receivers and Managers now have the power to dispose of the properties owned by Rewards Land Pty Ltd and Ark.

Notwithstanding termination of the DoF, RGAG was still encouraged to submit another proposal to NAB for its consideration having regard to the existing circumstances. On 4 March 2011 RGAG in conjunction with the Consortium presented an offer to the Receivers and Managers of the Group and Ark and NAB to acquire all the land and related assets of the Group MIS projects and continue the existing viable MIS projects.

This offer was rejected and NAB has decided to put the properties to market for sale in whole or in part. Expressions of interest were requested by the Receivers and Managers to be made by 25 March 2011 for the horticultural assets and 1 April 2011 for the forestry assets. We understand that the Consortium has submitted an expression of interest and RGAG continues to work closely with the Consortium to acquire all the land assets of the Group MIS projects and keep all viable MIS projects operating as proposed under the existing DOCA.

8.5 MIS project meetings

As part of Black Tree's conditions to the conditional contracts of sale submitted, Black Tree required that its restructure proposal for various Group forestry projects be put forward to growers for approval. In this regard, we advise that on 17 December 2010 we held concurrent meetings of members of the following Group forestry projects:

Project	ARSN
Forest Rewards Sandalwood Project 2000	091 534 995
Forest Rewards Sandalwood Project 2001	096 165 874
Forest Rewards Sandalwood Project 2002	099 571 285
Rewards Group Sandalwood Project 4	104 486 240
Rewards Group Sandalwood Project 5	112 106 313
Rewards Group Sandalwood Project 2007	121 784 325
Forest Rewards Teak Project 2001	096 619 466
Rewards Group Teak Project 3	104 486 222
Rewards Group Teak Project 4	111 957 843
Rewards Group Teak Project 2006	119 363 727

At the meeting growers considered and resolved to pass the three (3) resolutions relating to the approval and implementation of the Black Tree proposal as detailed in the Explanatory Memorandum distributed to growers on 22 November 2010. Implementation of the Black Tree proposal was conditional upon Black Tree acquiring the various properties the subject of the above projects which is yet to occur.

However, we note that in respect of the Sandalwood 2000 project Black Tree wishes to proceed to restructure this project and possibly replace Rewards Projects Limited as RE given that the project operates on a property not under the control of the Receivers and Managers although we note Rewards Land Pty Ltd is the lessee of the property. Negotiations with the landlord regarding future leasing terms are currently being negotiated. In this regard, Black Tree has recently written to growers of this project regarding the same.

At this stage, no proposals have been put forward regarding the restructure of the horticulture or other forestry projects not mentioned above, including any new proposed replacement RE.

8.6 Unit trust meetings

As required under the DOCA's the Deed Administrators caused notices of meeting to be issued on 30 November 2010 to the unit holders of the Ord Orchards Land Unit Trust (OOLUT), Sandalwood Land Unit Trust (SLUT) and Teak Land Unit Trust (TLUT) calling meetings on 30 December 2010 to consider a resolution for Rewards Projects Limited to be replaced as RE of the trusts, although at the time of issuing the notices the Receivers and Managers were yet to nominate a proposed party to act as the new RE.

The meetings were adjourned to 31 January 2011 and further to 28 February 2011 as the Receivers and Managers are yet to nominate a proposed replacement RE.

Notwithstanding the above, at the request of the Receivers and Managers a meeting of the unit holders for OOLUT proceeded on 30 December 2010 whereby the Receivers and Managers of Rewards Land Pty Ltd and Ark who hold 90.5% of the units issued in the trust put forward a resolution that the lease agreements between OOLUT and Rewards Projects Limited be immediately terminated. This resolution was passed and the leases have been terminated.

Furthermore, the Receivers and Managers of Rewards Land Pty Ltd and Ark requested that we put forward an additional resolution to unit holders at the meeting convened for 28 February 2011 that Rewards Projects Limited as RE of OOLUT formally instruct and authorize Rewards Land Pty Ltd to immediately sell all property of OOLUT, for the benefit of OOLUT in accordance with the terms of the trust deed, and to otherwise provide such assistance as is reasonably required of it by Rewards Land Pty Ltd to assist with such sale process and to otherwise give effect to the proposed resolution. In this regard, we issued an amended notice of meeting to unit holders of OOLUT on 7 February 2011 putting forward a resolution consistent with the above. The resolution was approved on 28 February 2011 and Rewards Land Pty Ltd under the control of the Receivers and Managers is currently marketing the OOLUT properties.

9. Proposed Variation to Existing DOCA's

As discussed earlier in this report, the Group and Ark's DOCA's have remained on foot despite the termination of the DoF. The DOCA's required that by 31 March 2011 amongst other conditions that satisfactory arrangements had to be made to facilitate full repayment of the debts owed by the Group and Ark to NAB.

In view of continuing interest in acquiring the properties and working towards preserving value for growers the RGAG has requested that the Deed Administrators of the Group put forward a resolution to creditors of each entity of the Group that the timeframe for satisfaction of the critical events of the respective DOCA's be extended to 29 July 2011. This date is consistent with the extension date approved by creditors of Ark on 31 March 2011 and the Receivers and Managers' anticipated sale campaign timeframe, as we understand it.

Please refer to section 5 of this report for the Group's estimated Statement of Position. It is unclear what the return may be to creditors of the Group under the DOCA's and in a liquidation scenario given that we have not conducted a valuation of all of the Group's assets as Receivers and Managers have been appointed to various entities within the Group. Certain values have also not been disclosed for commercial reasons at this stage.

In our reports of 12 October 2010 we summarised the possible return to creditors of the Group based upon assets made specifically available to creditors under the DOCA's namely, grower contributions and surplus funds from trading. The quantum of these possible recoveries under the DOCA's is yet to be determined given that FABAL is yet to fully account to us for the recent harvest, however given preliminary results received it does not appear that any of these contributions will be available for creditors.

Notwithstanding this position we are of the view that the proposed variation to the DOCA's allows further opportunity for RGAG and the Consortium to potentially put forward a revised proposal to NAB to satisfy its debt, or at the least, if the DOCA's are extended, RGAG and the Consortium (at this point) wish to leave the existing proposal (or a proposal materially on terms with that proposed on 4 March 2011) open for acceptance by NAB.

It is unknown as to whether the Receivers and Managers will receive any alternate proposals or offers as a result of their sale campaign and thus the existing or revised proposal from RGAG and the Consortium may be the best proposal available which in our view is likely to provide a better return to creditors than if the Group was immediately placed into liquidation.

10. Creditors' Options, Dividend Estimates & Cost Estimates

We are required to provide creditors of each entity of the Group with a statement setting out our opinion on whether it is in the creditors' interests:

- That the DOCA be varied and the timeframe for critical events to be satisfied under the DOCA be extended to 29 July 2011; or
- That the company should be wound up.

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.

10.1 Winding up of the Group

Given the nature and costs involved in realising the Group's assets and potential recoveries in a liquidation scenario, along with the complexity that Receivers and Managers have been appointed to other Group entities it is difficult to determine with any degree of certainty the likely level of return to unsecured creditors that would arise from liquidation. We also note that given that NAB holds various securities and guarantees over the Group to secure its entire debt that this adds additional complexity to determining the likely return to creditors. However, we are of the opinion that the returns to the creditor body as a whole are likely to be superior in a restructuring scenario compared to a liquidation scenario and returns would likely be more timely.

The estimated costs of winding up the Group's affairs are tabled in **Annexure 1**, though these costs would be considerably higher in the event that the potential claims we have previously identified are pursued.

10.2 Proposed variation to existing DOCA's

As noted earlier in this report RGAG has put forward a proposal that the DOCA's be varied and the timeframe for critical events to be satisfied under the DOCA's be extended to 29 July 2011. The Deed Administrators have considered this variation and recommend that creditors of each entity of the Group approve the variation. The Deed Administrators' reasons for this recommendation are detailed below.

The estimated costs of continuing to administer the DOCA's for each entity of the Group are tabled in **Annexure 1**, though these costs would be considerably higher in the event that the potential claims we have previously identified are pursued and if any additional variations to the DOCA's are implemented, subject to creditor approval.

11. Deed Administrators' Opinion

In respect of the proposed variation above it is the Deed Administrators' recommendation that creditors of each entity of the Group resolve to accept the variation for the following key reasons:

1. The proposed variation allows further opportunity for RGAG and the Consortium to potentially put forward a revised proposal to NAB to satisfy its debt, or at the least, if the DOCA's are extended, RGAG and the Consortium (at this point) wish to leave the existing proposal (or a proposal materially on terms with that proposed on 4 March 2011) open for acceptance by NAB. The proposed extension timeframe is consistent with Ark's varied DOCA and the Receivers and Managers' sale campaign. It is unknown as to whether the Receivers and Managers will receive any alternate proposals or offers as a result of their sale campaign and thus the existing or revised proposal from RGAG and the Consortium may be the best proposal available which is likely to provide a better return to creditors than if the Group was immediately placed into liquidation.
2. In light of the Receivers and Managers' sale campaign the proposed variation of the DOCA's may create competitive tension in the market which may maximise the value realised for the Group's assets. The RGAG has reiterated that it wishes to find the best solution for all stakeholders of the Group that may entail a superior proposal from an alternate party.

If the DOCA's are varied as proposed we also highlight that there are a number of key risks to completion of the DOCA's and these are detailed below:

1. Uncertainty as to the outcome of the Receivers and Managers' sale campaign and whether the proposal put forward by RGAG will be acceptable to NAB.
2. That the sale of the properties contemplated under the DOCA's do not complete even if NAB accepts RGAG's proposal.
3. That growers do not approve the variations to be proposed to various MIS project constitutions as proposed.

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

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

For the reasons set out above the Deed Administrators' recommend that creditors of each entity of the Group resolve to accept RGAG's proposed variation to extend the timeframe for critical events to be satisfied under the respective DOCA's to 29 July 2011.

12. Deed Administrators' Remuneration Report

We enclose as **Annexure 1** the Deed Administrators' Remuneration Report. At the upcoming 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.

13. 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 Hannay Smith of this office.

DATED this 8th day of April 2011.



Martin Jones
Joint and Several Deed Administrator of the Group

Annexure 1

Deed Administrators' Remuneration Report