Subject: RE: Submission to the Enquiry of the Senate Select Committee on Agricultural and Related Industries - Managed Investment Schemes (MIS) - submission on Rewards Group Tropical Friut Project

Dear Mr Short,

I have enclosed below a URL to a submission I made to the "Parliamentary Joint Committee on Corporations and Financial Services – Managed Investment Schemes" re the Rewards Group Tropical Fruit project.

https://senate.aph.gov.au/submissions/comittees/viewdocument.aspx?id=c243dcbb-a579-4c67-a265-457a82f9e3bc

I have not attached the full submission, as it is a scanned document, and hence is a fairly large computer file (< 10 MByte).

I believe that this submission may be of interest to Sen Hefferrnan for consideration by his committee, as it deals with an MIS project by a different company than was covered by my previous submission to your enquiry, this time the company being the Rewards Group. I believe this submission is of interest as it is another example of an MIS project being setup to primarily benefit the MIS company, rather than the investors. The project is in its early stages at present, but has provided returns for the first year, and the PDS provides the information necessary to extrapolate the returns for the subsequent years, in particular for year 6 onwards, where the returns should be at their maximum. This is a 20 year project, with fees and returns each year.

The submission contains a full analysis of the data I have performed, and the data indicates that over this 20 year project the returns to the investor will never be enough to cover the relatively high annual fees the investors have to pay, and they will never be high enough to return any of the original investment monies to the investors. The main reason the project appears to be doomed from the start is that the PDS uses $/kg values for the tropical fruits which are far in excess of the $/kg values being achieved by the project. In fact the achieved values for the stone fruit, from which the majority of the project crop is comprised, do not even fall in the range given in the PDS for the first year, let alone equal the average value given in the PDS ($6.5/kg), which has been used by Rewards to illustrate the returns to the investors. Hence, the returns Rewards indicate in the PDS are far in excess of the projected actual returns as illustrated in the attached submission.

To top the above off, the submission also shows information provided to me by the Rewards Group which they provide to their advisors to go over with their clients, which seriously misrepresents the returns from the project, and indicate that the project is over performing, whereas, in practice, compared to the values in the PDS, which were not given in this data provided to the advisors, the project is underperforming.

Of course, there are always two sides to every story, and I have contacted Rewards with my analysis and asked them to confirm if my analysis is correct, but they have failed to give a satisfactory response to me, and based on the response I have had I am left to conclude my analysis is correct, and that they are aware of the issues and doing nothing about them, which again, is not uncommon for MIS companies as we know by now. Why would they do anything, they will get their money from the management fees each year, whereas I will lose money each year for the next 20 years under the project by having to pay the management fees each year, and never see my original investment money again. I understand the Parliamentary Joint Committee on Corporations and Financial Services forwarded my submission to the Rewards Group for them to respond to my adverse comments about them, but as far as I am aware they failed to respond.

The Parliamentary Joint Committee on Corporations and Financial Services did not appear to draw on this submission at all, but I figure, from what I have seen so far, your committee may be probing MIS to a far greater extent than the other committee, so I figure you may be interested more in the submission than they were.

If you have any problems downloading the submission please let me know.

If you could please acknowledge this submission via email it would be appreciated.

Thanks

Regards

12-Jul-2009

Committee Secretary
Inquiry into Agribusiness Managed Investment Schemes
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir/Madam.

I apologise for being a bit late with this submission, but I was prompted to submit it based on seeing a submission had been made by the Rewards Group, who the issue identified below relates to.

I am an investor in the failed MIS company Great Southern, and the demise of Great Southern has been well publicised to date. However, I am also an investor in the *Rewards Group 2008 Tropical Fruits Project*. I note with interest that Rewards Group has made a submission to the "Parliamentary Joint Committee on Corporations and Financial Services - Inquiry into Agribusiness Managed Investment Schemes". Since the demise of Great Southern I have examined in detail the expected performance of the Rewards Group project, based on the information contained in the PDS for the project, and taking into account the first years returns for the project, which occurred in the 2008 - 2009 financial year.

Now I appreciate, that there may be limitations to the conclusions that can be drawn from the returns from the first year of a project, however, the PDS provides details on how to estimate the returns to the end of the project, and having carried out this estimation, I have concluded that the Rewards Group 2008 tropical fruits project is destined to make a loss for the investors throughout its 20 year life span. One reason for this in the case of the Rewards Group project is due to the high annual fees Rewards Group take, and the fact that the estimated returns from the project, calibrated with the first years returns, will never be enough to cover the annual fees, let alone recover the initial investment amount. This is a far cry from the returns that the project PDS would have you believe, based on the \$8000/grove annual returns before the deduction of expenses estimate given in the PDS. For details of my analysis and the letter I sent to the Rewards Group, with an attached spreadsheet calculation supporting my claims re the project see Attach A to this letter to the committee.

Based on this information from my analysis of the Rewards Group project, and the information which has come to light in connection with the Great Southern projects, in particular with respect to their tree projects, it is clear it is a common trick of MIS promoters to inflate the figures in the PDS, above those that can be achieved in practice, to "hook" the investors. The schemes are clearly setup to ensure the MIS company gets their annual fees, but contrary to what the PDSs would have you believe the projects have insufficient returns to provide a return to the investor, and likely most of the schemes will provide negative cash flow to the investors.

I have taken up the issue re the Rewards Project with the Rewards Group (see Attach A), but to date have not had a satisfactory response to my enquires to them. See in addition the email trail in Attach B to Attach I of this letter. In particular I have attempted to obtain details from them as to how they calculated the $8000/grove annual returns before the deduction of expenses information presented in the PDS. In particular, I am interested in what price data they used for the stone fruit portion of the project, where the returns from the stone fruit dominate the project returns. From my estimate based on the PDS their calculation must be based on an average price of around $6.5/kg, whereas for their first years return they achieved a return of $3.63/kg, well below the <u>minimum</u> price in the PDS of $5/kg.

Most investors would not be able to perform the detailed calculations I have performed in connection with this project based on the data in the PDS, which is likely what the Rewards Group were relying on. I did not perform the calculations prior to making the investment as I had naively assumed I could relay on the data in the PDS, after all it is supposed to be a <u>product disclosure statement</u>. Clearly, the PDSs are not worth the paper they are printed on for these schemes.

In addition, information I have received from the Rewards Group (see the two attachments to Attach D to this letter and my hand annotations to the information), which they apparently distribute to their advisors to discuss with their clients, appears to contain estimated values which differ significantly from the numbers given in the PDS. These number discrepancies, <u>whether deliberate</u> or accidental, have the effect of artificially presenting to the advisors, hence to the investors that the advisors discuss the information with, that the projects are performing ahead of expectation, when in practice, <u>they are performing below expectation</u>. See Attach D for details

It appears that the Rewards Group 2008 tropical fruit project is designed to make money for the Rewards Group but not the investors. I estimate, I will lose in excess of $4000/year for the next 20 years in the area of management fees, plus I will see NO RETURN at all on my initial investment. No information I have received from the Rewards Group via the email trail in Attach B to Attach I of this email convinces me that my calculations and prognosis are wrong. I await eagerly to see if I get any further response from the Rewards Group, see Attach I to this letter, which will put my mind at rest. A satisfactory Rewards Group response seems to be a long time coming, possibly as they did not want to provide me with a response prior to the end of the 2008 - 2009 investment year, which ended on June 30th, in case I took the matter to ASIC to take the matter further, which might have got in the way of their investment income for that year. Such controlled disclosure of bad news appears to be another characteristic of MIS operators, judging from the previous actions of Great Southern that have been well publicised recently.

It is clear that corporations should be penalised for setting up such schemes which clearly severely disadvantage investors, and which are based on false statements in PDSs.

Conclusion, if the Rewards Group project has been setup in a manner where the investors will never see a +ve return on their investment, the project should be closed down and the proceeds from the sale of the project assets owned by the investors (e.g. I presume the fruit trees are owned by the investors, although I have not checked this in the PDS!) should be distributed to the investors.

Yours Sincerely

Gary Jackson

ATTACH A

9-May-2009

Sharyn Lancaster
Client Services Manager
Rewards Projects Ltd
PO BOX 803
West Perth
6872

Dear Ms Lancaster,

Re: The 2008 Rewards Group Tropical Fruits Project

I am writing to you over concerns regarding the performance of your 2008 Tropical Fruits project. I am an investor with 17 groves in the project.

To give you some background to this letter, I am also an investor in Great Southern investment projects, and due to the actions of Great Southern have lost a significant portion of my investments in them, and stand to lose a lot more. As a result of Great Southern's actions, and the problems surrounding their MIS schemes, I have researched the issues surrounding their schemes and other MIS schemes in general. One thing that has become clear as a result of this research is that these schemes, in general, do not appear to be a very good deal for the investors. The only people who seem to make any money out of them are the scheme managers, via their annual management fees. These fees mean the managers get their money even if the schemes are run poorly by them, and show poor investment return, more likely negative returns for the investors. A key element in the manner the investment managers appear to set these schemes up in their favour is in the manner in which they over inflate the potential returns to investors in the PDS, so their schemes look OK on paper, but are not in reality, and it then it turns out that the performance figures indicated in the PDS are not met, usually by a long shot. Of course, the investment managers have caveats in the PDS as regards the performance estimates in the PDS being for guidance only etc, to try and cover themselves against any come back from the investors.

All of this has prompted me to take a closer look at the Rewards 2008 Tropical Fruits project. Now at the time of signing up to the rewards 2008 project, I was not aware of all that I am now about these MIS schemes, and of course there was no actual data on the projects performance available at that time of making the investment to gauge the actual performance of the scheme. Hence, at the time of signing up, I believed what I read in the 2008 Tropical Fruit Project PDS, and on paper it seemed a good investment. And of course, it was backed-up by an AAG independent report, which gave it a "4 star" rating, so it seemed at the time, it should be a good investment. However, of course, as I realise now, AAG were paid by Rewards Group to produce their investment report (I should have read the small print at the time I know) on the project, hence I realise now that I should have treated their report with more caution. It is always easy to be wise after the fact.

Anyway, I thought I would write to you to express my concerns re your project, in the hope that you know something that I don't which will convince me that this project is not as bad an investment as it now appears. Now of course, it is early days in the project yet, indeed I am still paying for my investment in it, which I took out on a 1 year interest free loan, and there have only been two distributions from the project so far, to gauge its overall performance by. However, it seems to me, that as it is only about 11 months since I signed up for the project, that for the signs of poor performance which appear to be present on the project at this early stage, it is strange that it should be the case that in such a short time since the projects inception, that the performance figures indicated in the PDS, with of course their associated caveats, should apparently be so far out with respect to reality.

In the PDS, in its example calculation of the associated expenses and fees, it indicates an income before expenses of $8000.00/grove. For my 17 groves, this works out at about $136,000.00 before deductions. The annual management fee, non-harvest based, for my 17 groves is around $20,000.00. Hence, based on the figures in the PDS, it seemed to me when I invested in it, that out of the $136,000.00, and after deducting all of the fees and expenses for the year, I should see a positive cash flow from my investment.

Attachment A to this letter includes an in depth analysis I have performed on the information associated with the project. I did not do this analysis at the time of investing, as I believed what it said in the PDS and the AAG report. However, since being involved in the Great Southern fiasco, and seeing the manner in which the Great Southern corporation conducts their business affairs I figured I should take this more detailed look at the Rewards Group project. Attachment A is a bit complex. It should be read from top-to-bottom, and examines various aspects of the project. The key aspects as regards this letter are summarised in the follow sections.

Conclusions re the Rewards Tropical Fruit Project

Based on Attachment A, which uses the data from the distributions from the project this year, I concluded the following:

The yields for the projects are of the same order as those indicated in the PDS, as summarised in the following table:

Stone Fruit established	144.95	141.11	<== stone fruit yield down on PDS (slighly)
The 2009 yeilds (kg) are in line with the PDS, i.e.:	PDS	ACTUAL	
Mangoes established	144.80 (^max)	153.00	<== mango yield up on PDS max

Price:

- The stone fruit price achieved is 30% BELOW MINIMUM given in the PDS.
- For the Mangoes the price is just above (by 10%) the MINIMUM price in the PDS.

Transport Costs:

- The stone fruit costs/kg (Harvest, pack and transport) are 20% HIGHER than in the PDS figure.
- The Mango harvest, pack and transport costs are 49% per Kg lower than in the PDS.

I was surprised to see how high the harvest, pack and transport costs were for the stone fruit, and the number seemed a bit scary when considering project performance. However, this was not as scary as the fact that the price you obtained for the fruit, especially for the stone fruit (although the mango price was on the low end of the PDS price spectrum also), as the stone fruit makes up the majority of the project. From what I can see you obtained $3.63/Kg for the stone fruit, where the PDS marketing was done on the basis of you selling it in the $5 to $8 range per KG. Hence, the achieved $3.63/Kg price was well below performance. However, I note you did not point this out in the information accompanying the payment to the grower.

Now what really concerns me with all of this is that it appears, based on my calculations in Attachment A, that your figure of an income of $8000/grove in the PDS appears to be based on getting a price of around $6.5/Kg for the stone fruit and $2.79/Kg for the mangoes, which clearly based on your first years results, so early into the project (where you would expect the PDS numbers to be tracked closest than over the later stages of the project) are clearly far short of this figure. Based on my calculations in Attachment A, I have determined that if you take the minimum yield for the mangoes, and the yields for the stone fruit given in the PDS for year 6 of the project (the year in which the yields according to the PDS are supposed to reach their maximum, and remain constant at this level to the end of the project) you get a return per grove before deductions (i.e. before expenses and management fees are removed) of $4,659.94/grove. This appears to translate after expenses and fees into a loss of -$239.16/grove or an overall loss for my 17 groves (after the non harvest based management fee I have to pay has been subtracted) of -$4065.74 for year 6.

What this seems to be saying s that if you maintain this years price performance throughout the project, that the investor will not see a +ve cash flow ever from the project, and that the only people making any money from the project will be the Rewards Group in their annual management fees, which represents a steady cash flow for Rewards Group, clearly irrespective of the performance of the project.

Now, I realise, the above is based on a small sample of data on actual returns from the project. However, it seems to me, having undergone this detailed analysis into the project, that the PDS appears to significantly (negligently) oversell the potential returns from the project, likely to an unachievable level. This is clearly not pointed out in the PDS nor the AAG report. Having done this analysis, and studied the numbers in the PDS closer, it does seem that to base the returns from the project for stone fruit on a figure of between $5/kg to $8/Kg, and in particular to base your figure of $8000/grove on $6.5/Kg for stone fruit and $2.79/Kg for mangoes appears to be highly optimistic. Thinking about it now, I am surprised you put such large numbers in the PDS, as not being a grocery shopper I do not know for sure, but it seems to me now, you probably would not even see prices that high for stone fruit, for example, in the local supermarket, let alone as payments to the farmer engaged in the project from the supermarkets and other outlets for your project produce.

Hence, I am left to conclude, as with the case of the Great Southern investments which went sour, it looks like the tropical fruits project was highly oversold in its PDS (and has no potential for producing the returns indicated in the PDS) purely to attract unsuspecting investors to invest in the project so the Rewards Group can make its money, easily from what now (having done the analysis) appear to be the high expenses and management fees associated with the project, which appear in all likelihood set to take all of the returns from the project and more from the investors pockets, for the next 20 years, e.g. my $4065.74+ (estimate) loss in my case from year 6 onwards, where off course, the losses on my part will likely grow over time (likely they will grow better than the tropical fruit) as the management fees are indexed to inflation over time.

It is a shame the AAG report did not present a similar analysis to mine, where it should have pointed out the highly risky nature of the project based on the figures in the PDS. But of course, I can only speculate, as in any business enterprise, it would likely be considered by AAG management that it is not in the best interests of AAG to paint a picture which would put investors off, else they would not get follow-on business from their clients. This apparently then is one of the problems when research groups are paid to do research by people who have a vested interest in the outcome of the research. Such commercial arrangements, clearly are potentially going to bias the results of such "independent" research towards the viewpoint of "he who pays the piper".

Based on all of the above, I would be interested to know if you agree with my assessment of the performance of this project. If you do agree with my assessment of the project, I would be interested to know what steps you intend to take to remedy the situation in the best interests of your investors. In particular, I am interested to know the basis for the $/Kg values you put in the PDS. Currently it appears that the values, especially for the stone fruit, have no basis in reality. In particular, I note that somewhere I read in your literature that you appear to have contracts with major supermarket chains for some of your produce These chains are renowned for paying their suppliers poorly. I assume this is part of the reason why the prices you achieved for the stone fruit and mangoes this year were so poor. I would have though that if you knew you were selling some of your produce to such supermarket chains, that you must have known their payments for produce are so poor to the extent that it seems reckless for you to have put such optimistic price information in your PDS, when you must have known there was no way you were going to achieve these prices for your produce in practice over the period of the project. Putting such optimistic pricing in your PDS, and the estimate of $8000.00/grove based on this optimistic data, will have severely misled investors as to the potential returns from you project.

Yours Sincerely

Gary Jackson

ATTAHMENT A TO LETTER: Analysis Of Rewards Group 2008 Tropical Fruits Project

Rewards Project - Tropical Fruit Project Page 20 in PDS

	Gross Income	Expenses	Net Value of Harvest	
Gross Sales per year per grove =	$8,000.00			
Minus harvest, pack and transport =		$2,800.00		
Sales commissions, royalties and levies =		$800.00		
Next Value of Harvest =			$4,400.00	
Management Services (Harvest Component) =		$484.00		<== 11% of Net Value of harvest
Total After all expenses =			$3,916.00	
Year 3 Annual fees (inc GST = (Management fee)		$1,362.12		

An aside: Why is on page 20 management services fee given as $484/grove, whereas on Page 21 it is given as $375.80/grove?

Hence based on the data on Page 20 and 21 in PDS it indicates one could expect = $2,553.88 per grove in the 3rd year, assuming a full havest could be made in that year which is not the case, as not all trees are mature at this stage in project but this data is just used to give an idea of expected returns based on the PDS data.

Actual Return for 2008 - 2009 tax year

During 2008 - 2009 tax year got net harvest proceeds = $5,749.85 for 17 groves

i.e. $338.23 per grove

Kumbia (Stone Fruit) = 14.9 % of overall project capacity

Mareeba (Mango) = 19.7 % of overall project capacity

Total: 34.6 % of overall project

Therefore scaling up the $338.23 return per grove to 100% of project harvest = $977.53 per grove total return after deductions

SHORTFALL:

Assumption, just assumed that the expenses and return from 65.4 % is the same as for the first 34.6 %

Therefore the estimated return of $977.53 is only 38.28 % of what is derived (i.e. $2,553.88) from the numbers on PDS Pages 20 and 21.
(for the third year as indicated above)

Observations:

1) The expenses (e.g. packaging etc) appear very high, e.g. for the Kumbia harvest, ie. = 65.34 % of the Harvest proceeds.

Estimate of Performance of Kumbia harvest:

PDS Indication on Harvest, Packaging and Transport costs:

-Page 32 in the PDS indicates for stone fruit = $1.65 /kg AUD

-Page 32 in the PDS indicates for mango = $1.63 /kg AUD

PDS Price Data

-Page 16 in PDS indicates for stone fruit a price in the range of .	$5 to	$8 per Kg	(average =	$6.50)
-Page 16 in PDS indicates for mangoes a price in the range of .	$14 to	$25 per tray	<== a tray = 7kg (PDS page 15)	
Hence, per Kg we have =	$2 to	$3.57 per Kg	(average =	$2.79)

Actual Data based on 2008 - 2009 harvest of mangoes and stone fruits:

PDS Indication on Harvest, Packaging and Transport costs:

- Kumbia stone fruit = $2.00 per Kg

$4,786.01 =Harvest, Pack and Transport for 17 groves (excluding GST)

2398.877 kg per 17 groves

$2.00 per kg Harvest, Pack and transport

I.e. 120.91543 % of PDS Page 32 price per Kg figure, or a 20% above the PDS estimate

Based on the following data based on the info from Rewards on Distribution Statement:

0.00075 = 1 grove proportion of total Sales proceeds

141.1104 Kg per grove in harvest

-Mareeba mangoes = $0.83 per Kg

$2,154.58 =Harvest, Pack and Transport for 17 groves (excluding GST)

2601.042 kg per 17 groves

$0.83 per kg Harvest, Pack and transport

I.e. 50.82 % of PDS Page 32 price per Kg figure, or a 20% above the PDS estimate

Based on the following data based on the info from Rewards on Distribution Statement:

0.00075 = 1 grove proportion of total Sales proceeds

153.0025 Kg per grove in harvest <== agrees with Reward brochure value with distribution

<u>Price Data (ACTUAL)</u>

-Kumbia stone fruit = $3.63 per Kg
Based on reported:
188,100 kg harvested

$682,962 total sale proceeds

-Mareeba mangoes = $2.28 per Kg
Based on reported:
203,951 kg harvested

$465,574 total sale proceeds

<u>Conclusion: Price is only =</u> 72.62 % of the min price per KG for stone fruit on Page 16 in PDS.

<u>Conclusion: The Kumbia price achieved is 30% below min given in PDS and the costs/kg (Harvest, pack and transport) are 20% higher than PDS figure.</u>

<u>Conclusion: Mareeba harvest, pack and transport costs are 49% per Kg lower than on PDS Page 32 for Mangoes and the price is just above (by 10%) the min price in the PDS.</u>

<u>OVERALL CONCLUSION:</u> For third year return will be (based on above estimate) from 17 groves after all deductions = $16,618.06
This will be less than the management fee for the 3rd year for 17 groves, i.e. = $23,156.04
HENCE, based on the above, data, and estimating the return from all currently mature and new crops, a loss of = -$6,537.98 will occur
HENCE, it is not clear how the investor will make a profit ever on the project due to the high management fees on the project.

Note: This loss is made starting from what according to Page 20 in the PDS is indicated as being $8000 gross sales per year, which is = $136,000.00 for 17 groves.

THE figure in the PDS of $6000 gross sales per grove per year appears to be grossly misleading, based on the above analysis which extrapolates linearly into the future project returns, to when 100% of the project yield comes on-line.

THIS LOSS WILL LIKELY GET LARGER AS THE MANAGEMENT FEE INDEXES OVER THE 20 YEAR PERIOD!!

ADDITIONAL ANALYSIS

INFO FROM AAG report page 19 re the project:

Project Features
Application Cost per Unit (ex GST) $4,750
Min Number of Interests per investor 2
Asset Ownership Refer to Section 1.3
Size of Unit 0.05 hectares
Rent and Management Fee (ex. GST)
• fixed component
• harvest component
$1,172 p.a. indexed to min. of 2.8%
10% of Net Harvest Proceeds
AAG Estimated Returns (IRR after tax)
• Cash Basis
• 5-year P&I
14.0% (Nil – >20.0%)
>20.0% (Nil – >20.0%)
Project duration 20 years
Close Date for investment in the Project 15 June 2008
Benefit Cost Ratio (@ 7%) 1.29 (0.79 – 1.84)
Breakeven when:
• Price decreases by:
• Yield decreases by:
23% (Nil – 40%)
40% (Nil – 61%)
Product ruling PR 2008/24

AAG Report Page 20:

Table 1 – Composition of Project

	Established	New	Total by Fruit	Hectare	Estab	New	
Mango							
• Mareeba	19.70%		19.70%	0.00985	0.00985		
Stone fruit							
• Childers		14.90%	14.90%	0.00745			
• Dandaragan		28.30%	28.30%	0.01415			
• Kumbia	14.90%	22.30%	37.20%	0.0186	0.00745	0.01115	<== other way round to AAG report

Total by Orchard	34.60%	65.40%	100%	0.05005	the old - new split in the PDS to the AAG doc

PDS Page 9 indicates each grove = 0.05 hectare, i.e. 500m^2

Based on PDS pages 15 and 16

Table 2 – Composition of Project

				Estimated (Kg)			Min Return		Max Return	
Mango	Hectare	PDS (Page 15) Yield/Hectare (kg)		Min Yield	Max Yield	Actual Yield 2009 (Kg)	Year 6 Kg	Sales Year 6 $	Year 6 Kg	Sales Year 6 $
• Mareeba	0.00985	12600	14700	124.11	144.80	153.0025	124.11	$283.32	144.80	$330.53
Stone fruit										
• Childers	0.00745									
Year 3			5000		37.25					
Year 4			10000		74.50					
Year 5			20000		149.00					
Years 6 to 20			30000		223.50		223.50	$811.49	223.50	$811.49
• Dandaragan	0.01415									
Year 3			5000		70.75					
Year 4			10000		141.50					
Year 5			20000		283.00					
Years 6 to 20			30000		424.50		424.50	$1,541.29	424.50	$1,541.29
• Kumbia (New)	0.00743									
Year 3			5000		37.15					
Year 4			10000		74.30					
Year 5			20000		148.60					
Years 6 to 20			30000		222.90		222.90	$809.32	222.90	$809.32
• Kumbia (Established)	0.01115									
Year 1			13000		144.95					
Year 2			22000		245.30					
Year 3			29000		323.35					
Years 4 to 20			30000		334.50		334.50	$1,214.52	334.50	$1,214.52
Total by Orchard	0.05					Total Per Grove Per year Kg	1329.51	$4,659.94	1350.20	$4,707.16
									Avg Ret:	$4,683.55

PDS Page 9 indicates each grove = 0.05 hectare, i.e. 500m^2

Check at higher prices (i.e. PDS average price)

Mangoes =	$2.79	yields =	$345.74 (min)
Stone fruit =	$6.50		$7,835.10
			$8,180.84

Carried forward price data from above (i.e. actual price data for 2009):

Stone Fruit =	$3.63
Mangoes =	$2.28

Conclusion: Using PDS values of price per Kg get actual of = $8,180.84
which compares to figure on Page 20 of PDS that indicates $8000/grove per year

Notes: Mangoes 7kg per tray (PDS Page 15)

Overall conclusion = the yields and price data in the PDS give returns of the order of those in the PDS on Page 20, of $8000 per grove for year 6 onwards.

However, the 2009 stone fruit price is a lot lower than the PDS. Using the 2009 price/kg data and the year 6 yields gives a return of = $4 659.94 (min)

The 2009 yeilds (kg) are in line with the PDS, i.e.:	PDS	ACTUAL		Rewards Adviser Data Sheet number		Data Sheet Error Versus PDS
Mangoes established	144.80 (^max)	153.00	<== mango yield up on PDS max	131.15	kg Expected yield	-13.65 kg
Stone Fruit established	144.95	141.11	<== stone fruit yield down on PDS (slighly)	94.29	kg Expected yield	-50.66 kg

Estimated year 6 net return per grove:

$8,000.00 gross income yields $2,553.88 net income to grower per grove

hence

	$4,659.94			
Minus Costs of $2800 =	$1,859.94			
Minus sales commissions =	$1,859.94 minus	$465.99 =	$1,393.94 =net harvest value per grove	
Minus management services fee (harvest component) =		$1,393.94 minus	$153.33 =	$1,240.61 = income per grove to investor in 6th year

OVERALL CONCLUSION = $1,240.61 is less than the annual management fee that has to be paid, hence the project may never give positive return to investor!!

<u>Conclusion: The Kumbia price achieved is 30% below min given in PDS and the costs/kg (Harvest, pack and transport) are 20% higher than PDS figure.</u>

<u>Conclusion: Mareeba harvest, pack and transport costs are 49% per Kg lower than on PDS Page 32 for Mangoes and the price is just above (by 10%) the min price in the PDS.</u>

ESTIMATE OF LOSS TO INVESTOR DURING YEAR 6 and onwards =
<u>Annual fees (PDS Page 19)</u>

Year 1	1288.93	
Year 2		
Year 3		
Year 4		
Year 5		
Year 6	1479.77	-$239.16
		$21,090.35
		$25,156.09

Therefore loss in year 6 = -$239.16 per grove (i.e. $1,240.61 minus $1,479.77)

Therefore for 17 groves = -$4,065.74 (compared to the -$6,537.98 I estimated above from my simple calculation) -$4,065.74

Note: This is without taking into account any additional indexing for cost of living into the management fees, as indicated in the PDS.

ATTACH B

Gary Jackson

Subject: FW: Confirmation of Letter Received.

Hi Gary

Thank you for your letter which I received last week and apologies for the late reply. I tried to call you earlier so I hope this email covers all your queries.

First of all, your Rewards Group Tropical Fruits Project consists of the following:

New Stone Fruit – Dandaragan, WA	74.3 m2
New Stone Fruit – Childers, QLD	141.3 m2
New Stone Fruit – Kumbia, QLD	74.3 m2
Established Stone Fruit – Kumbia, QLD	111.5 m2
Established Mango – Mareeba, QLD	98.5 m2

Therefore, it is important to note that the past 2 distributions you have received this year comprised the established stone fruit in Kumbia and the established mangoes in Mareeba. This represents 42% of the Project. The new stone fruit components are scheduled to be harvested in 2011.

I would also like to confirm for you the Tropical Fruits Project 2008 returns actually reached above PDS expectations. I have attached the Adviser Distribution Reference Sheets (stone fruit and mango) which breaks down the prices and yields received from both harvests and compare them to the PDS expectations. The reports state that for the stone fruit, yield was up by 47kg per Grove, however, the prices achieved were lower then expected by $0.87 per Grove. The total return to Growers was 102% of expectation for the first year.

In regards to your mango distribution, yields were up 22kg per Grove, and prices were slightly down $0.32. Please note, these documents only go to Advisers. The total return to Growers was 157% of expectations.

Your letter goes into detail regarding these prices achieved from the harvests. Rewards works directly with both Coles and Woolworths in achieving the best prices for our fruit and have no 'middleman' to deal with.

Rewards Group has a cash flow calculator of all our Projects and is used by our State Managers to inform Advisers of the scheduled payments for each financial year. This calculator outlines all expenses and costs relating to the harvests. It is a very powerful tool which outlines the expected prices, harvest costs, management fees, marketing commissions and the cash flow to Growers after tax for the life term of the Project. This calculator is only available to Advisers as they need to be present with their client's to fully explain each individual's circumstances.

The benefit of this tool is to also identify several key factors. The first being your Project does not become cash flow positive until 2012. As stated above, only 42% of the Project is currently in production. Once the Project is in 'full production' (2012), the Project becomes cash flow positive.

Your Project is only 1 year old and the majority of the trees (58%) are also only 1 year old. Mango and stone fruit trees need to mature, and this takes approximately 10 years. At this stage of the Project, a fully mature tree will reach premium yield.

You also mention in your letter that Rewards paid AAG for their 4 star rating and independent analogy of the Project. AAG are an Independent Research house and for this, Rewards has to pay them for their services. Rewards do not have any say in their ratings or reports.

Finally, I would like to confirm for you the security of Rewards Group. I have attached correspondence which was released last week and hope you received the original. It confirms our position in the MIS market and how we as a company are in a completely different financial position as opposed to Timbercorp and Great Southern.

Rewards recommend that you seek advise from a Financial Planner to help explain the details of this Project. I would then be happy to send to him/her the cash flow calculator to help reiterate the projected income from this Project.

I hope this information covers your concerns regarding Rewrads Group and your Tropical Fruits Project 2008.

If you have any further queries, please do not hesitate to contact me on the below details.

Kind regards

Nick Boardman
Client Services Officer

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E: nickb@rewardsgroup.com.au
http://www.rewardsgroup.com.au

ATTACH C

Subject: RE: Confirmation of Letter Received.

Nick,

Thanks for your detailed response.

See my couple of comments below.

Yes, my understanding was it would go cash flow positive after 4 years, and I agree it is early days, but I guess what you say below does not convince me that the key parameter price/KG was on track this year. The two numbers I would be really interested in, to see if they agree with my calculation is what price per/KG has Rewards used in the PDS to arrive at the estimate of the income before expenses per year of $8000 / grove. Price is a key parameter, and from my calculation, bearing in mind the return is dominated by the return on the stone fruit, that my calculations showed you used a figure of $6.5/kg for stone fruit, which is much higher than you got paid for this years crop, unless I am missing something. Can you tell me the $/kg for stone fruit and mangoes you used in your $8000/grove per year calculation in the PDS before expenses?

See my other comments below, especially re the missing attachments.

Regards

Gary

-----Original Message-----
From: Nick Boardman [mailto:nickb@rewardsgroup.com.au]
Sent: Thursday, 28 May 2009 2:37 PM

Subject: FW: Confirmation of Letter Received.

Hi Gary

Thank you for your letter which I received last week and apologies for the late reply. I tried to call you earlier so I hope this email covers all your queries.

First of all, your Rewards Group Tropical Fruits Project consists of the following:

New Stone Fruit – Dandaragan, WA	74.3 m2
New Stone Fruit – Childers, QLD	141.3 m2
New Stone Fruit – Kumbia, QLD	74.3 m2
Established Stone Fruit – Kumbia, QLD	111.5 m2
Established Mango – Mareeba, QLD	98.5 m2

Therefore, it is important to note that the past 2 distributions you have received this year comprised the established stone fruit in Kumbia and the established mangoes in Mareeba. This represents 42% of the Project. The new stone fruit components are scheduled to be harvested in 2011.

I would also like to confirm for you the Tropical Fruits Project 2008 returns actually reached above PDS expectations. I have attached the Adviser Distribution Reference Sheets (stone fruit and mango) which breaks down the prices and yields received from both harvests and compare them to the PDS expectations. The reports state that for the stone fruit, yield was up by 47kg per Grove, however, the prices achieved were lower then expected by $0.87 per Grove. The total return to Growers was 102% of expectation for the first year.

[Gary] You indicated "I have attached the Adviser Distribution Reference Sheets" – but there were no attachments to the email. Could you send me these?

In regards to your mango distribution, yields were up 22kg per Grove, and prices were slightly down

$0.32. Please note, these documents only go to Advisers. The total return to Growers was 157% of expectations.

Your letter goes into detail regarding these prices achieved from the harvests. Rewards works directly with both Coles and Woolworths in achieving the best prices for our fruit and have no 'middleman' to deal with.

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The benefit of this tool is to also identify several key factors. The first being your Project does not become cash flow positive until 2012. As stated above, only 42% of the Project is currently in production. Once the Project is in 'full production' (2012), the Project becomes cash flow positive.

Your Project is only 1 year old and the majority of the trees (58%) are also only 1 year old. Mango and stone fruit trees need to mature, and this takes approximately 10 years. At this stage of the Project, a fully mature tree will reach premium yield.

[Gary] I understood from the prospectus that all the mango trees are currently 20 years old as I recall, so the prospectus points out they will be getting old near the end of the project, so this conflicts with what you say in the line above I think.

You also mention in your letter that Rewards paid AAG for their 4 star rating and independent analogy of the Project. AAG are an Independent Research house and for this, Rewards has to pay them for their services. Rewards do not have any say in their ratings or reports.

Finally, I would like to confirm for you the security of Rewards Group. I have attached correspondence which was released last week and hope you received the original. It confirms our position in the MIS market and how we as a company are in a completely different financial position as opposed to Timbercorp and Great Southern.

Rewards recommend that you seek advise from a Financial Planner to help explain the details of this Project. I would then be happy to send to him/her the cash flow calculator to help reiterate the projected income from this Project.

I hope this information covers your concerns regarding Rewrads Group and your Tropical Fruits Project 2008.

If you have any further queries, please do not hesitate to contact me on the below details.

Kind regards

Nick Boardman
Client Services Officer

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ATTACH D

From: Nick Boardman [mailto:nickb@rewardsgroup.com.au]
Sent: Monday, 8 June 2009 11:43 AM
To: 'Gary Jackson'
Subject: RE: Tropical Fruits Project Information Request

Good morning Gary

Apologies once again for the late response, I was actually sick all last week.

I have attached the Adviser Reference Sheets, sorry about that. The documents will cover for you your below queries regarding returns reaching above expectations and the yields and prices received against expectations.

I need to speak with Stewart Sampson regarding your calculations, mainly because the yield estimates in the PDS states in 'per tray' and the prices are in 'per kilogram'. I will need Stewart to do the conversions for me.

Can you pleas point me in the right direction. Where in the PDS does it state expenses of $8000 / grove?

I will get back to you asap once I have spoken to Stewart.

Kind regards

Nick Boardman
Client Services Officer

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From: Gary Jackson
Sent: 6 June 2009 14:34
To: Nick Boardman
Subject: RE: Tropical Fruits Project Information Request

Nick,

I have not heard from you in response to my reply, so I thought I would follow up with you again.

I am still having a problem figuring out how it is true when you say below "I would also like to confirm for you the Tropical Fruits Project 2008 returns actually reached above PDS expectations.", when the fruit weight was about on target, the expenses were well above PDS values and the prices were well below the minimum given for stone fruit in the PDS, let alone way down on the $6.5/kg Rewards appear to have used in their calculation of the $8000/grove per year indicated in the PDS. If you are not in a position to provide me with the information I am requesting below could you please forward my email to someone who is in a position to respond.

In addition, you indicated on you original email "I have attached the Adviser Distribution Reference Sheets" – but there were no attachments to the email. Could you send me these?

Thanks

Gary

REWARDS PROJECTS LTD
ABN 55 089 582 427
AFS Licence Number: 224000

ADVISER DISTRIBUTION REFERENCE SHEET

Rewards Group Tropical Fruits Project 2008 ARSN 130 040 032
2008 Stone Fruit Harvest, Kumbia, Queensland (37.2% of Project)

Gross Income per Grove

Total Income	$512.35
Bank Interest	$0.00[1]

Cost of Harvesting per Grove

Cost of Harvesting (exclusive of GST)	$281.53

Cost of Sales per Grove

Marketing Fee – 10.00% (exclusive of GST)	$23.08
Bank Charges	$0.00[1]

Net Distribution per Grove

Net Distribution from 2008 Harvest	**$177.57**
GST claimable to eligible Growers from 2008 Harvest	$30.17

Yields per Grove

Actual yields	141.11 kg
Expected yields	94.29 kg
Yields were 150% of expectations } Not true	

PDS indicates 144.95 kg.

Prices

The prices achieved for the sale of the fruit were $3.63 per kg.

Average price received was	$3.63 per kg
Average expected price was } not true.	$4.50 per kg
Prices were 81% of expectations } Not true.	

below min of $5/kg given in PDS.

$8000/grove per annum before expenses from PDS based on figure of around $6.5/kg.

Project Expectations

Expected Net Distributions per Grove	$203.66

[1] - Bank interest of $0.52 per unit has been withheld to cover bank charges. Once finalised, any resulting surplus shall be included with the next distribution.

REWARDS PROJECTS LTD
ABN 55 089 582 427
AFS Licence Number: 224000

ADVISER DISTRIBUTION REFERENCE SHEET

Rewards Group Tropical Fruits Project 2008 (Retail) ARSN 130 040 032
2008 / 2009 Mango Harvest

Gross Income per Grove

Harvest Income	$349.27
Interest Income	$0.00

Cost of Harvesting per Grove

Cost of harvesting (inclusive of GST)	$166.91

Cost of Sales per Grove

Marketing fee (inclusive of GST)	$21.69
Bank charges	$0.00

Net Distribution per Grove

Net distribution payable to Grower	$160.67
GST claimable to eligible Growers	$16.81
Net return to Grower	**$177.48**

Yields per Grove

Actual yields	153.0 kg
Expected yields	131.15 kg
Yields were 116.7% of expectations] not true	PDS indicates 144.80 kg,

Prices

Average price received was	$2.28 per kg
Average expected price was	$2.60 per kg
Prices were 87.7% of expectations	$2.79 per kg in PDS.

Project Expectations

Expected Net Distributions per Grove	$112.51
Actual Net Distribution Comparison	157%

ATTACH E

From: Gary Jackson
Sent: Monday, 8 June 2009 3:16 PM
To: 'Nick Boardman'
Subject: RE: Tropical Fruits Project Information Request

Nick,

Thanks for the data sheets.

On Page 18 of the PDS it indicates typical mango prices are A$14 to A$25 per tray. It then says stone fruit typically A$5 to A$8 per KG., which is an average of $6.5. Page 15 of the PDS indicates a tray is 7 kg. This would make the mango typical price of A$2 to A$3.57 per KG, or an average of A$2.785/kg. your sheet indicates expected average mango price of $2.6, which is below, but close to $2.785/kg. The project returns are dominated by the returns from the stone fruit. The stone fruit sheet you sent me indicated the average expected price was $4.5, whereas the PDS says it is $6.5, and the achieved value $3.63 is significantly down on the PDS minimum price of $5/kg. This is why I think, based on the calculation I sent you previously, which was a detailed calculation based on the information provided in the PDS, that it appears based on the prices you achieved in the first harvest, and the fact that they are well down on the PDS values, it looks like it is unlikely there will ever be enough return from the harvest, bearing in mind the scheme members have to pay significant annual fees, to cover these annual fees, let along recoup the initial up-front investment monies.

In my case my initial investment was $80,750 (excluding GST). In my case, I worked out in the model I sent you previously that I would make a loss on 17 groves of -$4065.74 in year 6, the year in which all trees are supposed to reach their maximum yield according to the PDS, taking into account the income I receive that year based on the prices for the fruit you obtained this year (my estimate $21,090.35 income) minus the fees I have to pay that year ($25156.09) =-$4065.74 . With fee indexing in the subsequent years I am assuming the situation will be worse in the following years. Hence, why it appears to me there will not be enough cash flow to cover the annual fees, let alone recoup the initial investment. The main issue being that the typical average price range in the PDS for the stone fruit appears to be much higher than you will receive in practice.

What I would be really interested in, if you could provide it to me, is the calculation Rewards performed behind the Worked Dollar Example on Page 20 in the PDS, to arrive at the gross sales per year total $8000/grove. From my calculation you would have to have for year 6 an average mango price of $2.79 a kg and a stone fruit price of $6.5/kg to achieve a gross sales per year of $8180.4/grove, which is around your price in the PDS of $8000/kg. Hence, it appears your calculation uses the average typical values in the PDS, but I would be interested to see you calculation to make sure I have understood the calculation correctly.

From my detailed calculation of the performance based on the actual price per kg for this year, but for the year 6 maximum yield, you only get a gross return $4683.55/Grove, well down on your example, as the return is dominated by the stone fruit price you achieve, and your stone fruit actual $/kg is so far out from the PDS average value, and as the fees are so high, you never actually get a positive cash flow to cover the annual fees, let alone to recover the initial investment.

Regards

Gary

ATTACH F

From: Gary Jackson [mailto:silverb@iprimus.com.au]
Sent: Monday, 8 June 2009 3:31 PM
To: 'Nick Boardman'
Subject: RE: Tropical Fruits Project Information Request

Nick,

I also note that the expected yields on the data sheets which you sent me also do not appear to align with the PDS, which is why maybe you (Rewards) have indicated previously that you think the project is ahead on performance, when in reality in the case of yield it appears to be tracking close to expectation, but on price is not tracking even close to the PDS expectation. My numbers (based on PDS data) compared to your advisor data sheet numbers are indicated below:

The 2009 yeilds (kg) are in line with the PDS,	PDS	ACTUAL		Rewards Adviser Data Sheet number		Data Sheet Error Versus PDS	
Mangoes established	144.80 (^max)	153.00	<== mango yield up on PDS max	131.15	kg Expected yield	-13.65	kg
Stone Fruit established	144.95	141.11	<== stone fruit yield down on PDS (slightly)	94.29	kg Expected yield	-50.66	kg

Regards
Gary

-----Original Message-----
From: Nick Boardman [mailto:nickb@rewardsgroup.com.au]
Sent: Monday, 8 June 2009 11:43 AM
To: 'Gary Jackson'
Subject: RE: Tropical Fruits Project Information Request

Good morning Gary

Apologies once again for the late response, I was actually sick all last week.

I have attached the Adviser Reference Sheets, sorry about that. The documents will cover for you your below queries regarding returns reaching above expectations and the yields and prices received against expectations.

I need to speak with Stewart Sampson regarding your calculations, mainly because the yield estimates in the PDS states in 'per tray' and the prices are in 'per kilogram'. I will need Stewart to do the conversions for me.

Can you pleas point me in the right direction. Where in the PDS does it state expenses of $8000 / grove?

I will get back to you asap once I have spoken to Stewart.

Kind regards

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ATTACH G

From: Nick Boardman [mailto:nickb@rewardsgroup.com.au]
Sent: Tuesday, 9 June 2009 12:27 PM
To: 'Gary Jackson'
Subject: RE: Tropical Fruits Project Information Request

Hi Gary

I have reviewed your queries with Stewart.

Firstly, in response to the query below, Rewards has conducted a detailed analysis of the historical and expected prices achievable for stone fruit and mangoes from the Project. Rewards have not used an average calculated on the range stated in the PDS. Rewards have used an **actual** figure which falls within this range.

Average stone fruit prices per kg achieved in the 2008 stone fruit season were low in comparison to historical averages. It is important to note that in calculating the price per kg figure, Rewards uses the total saleable yield from the Project.

In the case of the 2008 season, there was a sharp increase in yield at the end of the season, resulting in an above forecast yield. The quality of the fruit was below expectations, but our marketer determined that the fruit could be marketed, however not to the supermarket chains as it did not meet quality specifications. The fruit was sold at a discount into the central market.

This was a profitable exercise, however not to the extent of the higher quality fruit. This exercise whilst profitable did bring the average price per kg below expectation.

The ultimate success of a harvest is measured by the distribution to our investors. The 2008 stone fruit harvest in Kumbia was a successful harvest, evidenced by the above forecast distribution.

Therefore, the price achieved per kg in 2008, is lower than the historical average and is not a diligent price to be applied to future cash flows. The price used by Rewards in its financial models is a diligent average price to be applied to cash flows over the 20 year life of the Project.

In reference to the mango harvest, whilst prices were slightly lower than average, yields were above forecast and costs were well below forecast. This resulted in a distribution 57% above forecast.

Hope this helps.

Kind regards

Nick Boardman
Client Services Officer

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From: Gary Jackson
Sent: 8 June 2009 13:46
To: Nick Boardman
Subject: RE: Tropical Fruits Project Information Request

Nick,

Thanks for the data sheets.

On Page 18 of the PDS it indicates typical mango prices are A$14 to A$25 per tray. It then says stone fruit typically A$5 to A$8 per KG., which is an average of $6.5. Page 15 of the PDS indicates a tray is 7 kg. This would make the mango typical price of A$2 to A$3.57 per KG, or an average of A$2.785/kg. your sheet indicates expected average mango price of $2.6, which is below, but close to $2.785/kg. The project returns are dominated by the returns from the stone fruit. The stone fruit sheet you sent me indicated the average expected price was $4.5, whereas the PDS says it is $6.5, and the achieved value $3.63 is significantly down on the PDS minimum price of $5/kg. This is why I think, based on the calculation I sent you previously, which was a detailed calculation based on the information provided in the PDS, that it appears based on the prices you achieved in the first harvest, and the fact that they are well down on the PDS values, it looks like it is unlikely there will ever be enough return from the harvest, bearing in mind the scheme members have to pay significant annual fees, to cover these annual fees, let along recoup the initial up-front investment monies.

In my case my initial investment was $80,750 (excluding GST). In my case, I worked out in the model I sent you previously that I would make a loss on 17 groves of -$4065.74 in year 6, the year in which all trees are supposed to reach their maximum yield according to the PDS, taking into account the income I receive that year based on the prices for the fruit you obtained this year (my estimate $21,090.35 income) minus the fees I have to pay that year ($25156.09) =-$4065.74 . With fee indexing in the subsequent years I am assuming the situation will be worse in the following years. Hence, why it appears to me there will not be enough cash flow to cover the annual fees, let alone recoup the initial investment. The main issue being that the typical average price range in the PDS for the stone fruit appears to be much higher than you will receive in practice.

What I would be really interested in, if you could provide it to me, is the calculation Rewards performed behind the Worked Dollar Example on Page 20 in the PDS, to arrive at the gross sales per year total $8000/grove. From my calculation you would have to have for year 6 an average mango price of $2.79 a kg and a stone fruit price of $6.5/kg to achieve a gross sales per year of $8180.4/grove, which is around your price in the PDS of $8000/kg. Hence, it appears your calculation uses the average typical values in the PDS, but I would be interested to see you calculation to make sure I have understood the calculation correctly.

From my detailed calculation of the performance based on the actual price per kg for this year, but for the year 6 maximum yield, you only get a gross return \$4683.55/Grove, well down on your example, as the return is dominated by the stone fruit price you achieve, and your stone fruit actual \$/kg is so far out from the PDS average value, and as the fees are so high, you never actually get a positive cash flow to cover the annual fees, let alone to recover the initial investment.

Regards

Gary

ATTACH H

From: Gary Jackson
Sent: Tuesday, 9 June 2009 6:34 PM
To: 'Nick Boardman'
Subject: RE: Tropical Fruits Project Information Request

Nick,

Thanks for the additional information.

Whilst I understand what you are saying, it did not really answer the main question I had, which was "What I would be really interested in, if you could provide it to me, is the calculation Rewards performed behind the Worked Dollar Example on Page 20 in the PDS, to arrive at the gross sales per year total $8000/grove.".

Is it possible for Rewards to provide me with a copy of the analysis/calculation used as to how the $8,000/grove per year was arrived at?

Regards

Gary

> -----Original Message-----
> **From:** Nick Boardman [mailto:nickb@rewardsgroup.com.au]
> **Sent:** Tuesday, 9 June 2009 12:27 PM
> **To:** 'Gary Jackson'
> **Subject:** RE: Tropical Fruits Project Information Request
>
> Hi Gary
>
> I have reviewed your queries with Stewart.
>
> Firstly, in response to the query below, Rewards has conducted a detailed analysis of the historical and expected prices achievable for stone fruit and mangoes from the Project. Rewards have not used an average calculated on the range stated in the PDS. Rewards have used an **actual** figure which falls within this range.
>
> Average stone fruit prices per kg achieved in the 2008 stone fruit season were low in comparison to historical averages. It is important to note that in calculating the price per kg figure, Rewards uses the total saleable yield from the Project.
>
> In the case of the 2008 season, there was a sharp increase in yield at the end of the season, resulting in an above forecast yield. The quality of the fruit was below expectations, but our marketer determined that the fruit could be marketed, however not to the supermarket chains as it did not meet quality specifications. The fruit was sold at a discount into the central market.

This was a profitable exercise, however not to the extent of the higher quality fruit. This exercise whilst profitable did bring the average price per kg below expectation.

The ultimate success of a harvest is measured by the distribution to our investors. The 2008 stone fruit harvest in Kumbia was a successful harvest, evidenced by the above forecast distribution.

Therefore, the price achieved per kg in 2008, is lower than the historical average and is not a diligent price to be applied to future cash flows. The price used by Rewards in its financial models is a diligent average price to be applied to cash flows over the 20 year life of the Project.

In reference to the mango harvest, whilst prices were slightly lower than average, yields were above forecast and costs were well below forecast. This resulted in a distribution 57% above forecast.

Hope this helps.

Kind regards

Nick Boardman
Client Services Officer

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ATTACH I

From: Nick Boardman [mailto:nickb@rewardsgroup.com.au]
Sent: Monday, 15 June 2009 10:33 AM
To: 'Gary Jackson'
Subject: RE: Tropical Fruits Project Information Request

Good morning Gary

I am still awaiting information from Stewart on your query. Hopefully no too long?

Kind regards

Nick Boardman
Client Services Officer

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From: Gary Jackson
Sent: 9 June 2009 17:04
To: Nick Boardman
Subject: RE: Tropical Fruits Project Information Request

Nick,

Thanks for the additional information.

Whilst I understand what you are saying, it did not really answer the main question I had, which was "What I would be really interested in, if you could provide it to me, is the calculation Rewards performed behind the Worked Dollar Example on Page 20 in the PDS, to arrive at the gross sales per year total $8000/grove.".

Is it possible for Rewards to provide me with a copy of the analysis/calculation used as to how the $8,000/grove per year was arrived at?

Regards

Gary