

IN THE FEDERAL COURT OF AUSTRALIA
VICTORIA DISTRICT REGISTRY

VID of 2011

IN THE MATTER OF WILLMOTT FORESTS LIMITED (RECEIVERS AND MANAGERS
APPOINTED) (LIQUIDATORS APPOINTED)
ACN 063 263 650

WILLMOTT FORESTS LIMITED (RECEIVERS AND MANAGERS APPOINTED)
(LIQUIDATORS APPOINTED)
ACN 063 263 650

IN ITS PERSONAL CAPACITY AND IN ITS CAPACITY AS RESPONSIBLE ENTITY OF
EACH OF THE MANAGED INVESTMENTS SCHEMES LISTED IN SCHEDULE 1 AND IN
ITS CAPACITY AS MANAGER OF THE UNREGISTERED MANAGED INVESTMENT
SCHEMES LISTED IN SCHEDULE 2
First Plaintiff

CRAIG DAVID CROSBIE
Second Plaintiff

IAN MENZIES CARSON
Third Plaintiff

CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked "CDC-20" now produced and shown to **Craig David Crosbie** at
the time of swearing his affidavit on 11 May 2011.

Before me:

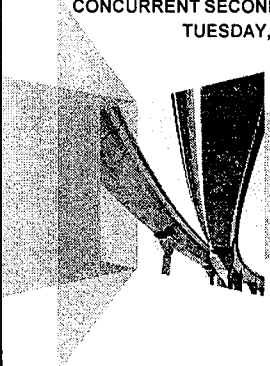


MEAGAN LOUISE GROSE
Arnold Bloch Leibler
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An Australian Legal Practitioner within the
meaning of the Legal Profession Act 2004

Filed on behalf of the Plaintiffs
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(Leon Zwier)


**CONCURRENT SECOND MEETING OF CREDITORS
TUESDAY, 22 MARCH 2011**



PPB ADVISORY


- WILLMOTT FORESTS LTD
- WILLMOTT FINANCE PTY LTD
- WILLMOTT FOREST NOMINEES PTY LTD
- WILLMOTT FORESTS INVESTMENT MANAGEMENT PTY LTD
- WILLMOTT FOREST PRODUCTS PTY LTD
- WILLMOTT ENERGY PTY LTD
- WILLMOTT NOTES PTY LTD
- WILLMOTT SUBSCRIBER PTY LTD
- BIOENERGY AUSTRALIA PTY LTD
- BIOFOREST LTD

(ALL ADMINISTRATORS APPOINTED)
(ALL RECEIVERS AND MANAGERS APPOINTED)
(COLLECTIVELY THE WILLMOTT GROUP)

 PPB ADVISORY


Meeting Agenda

- Meeting formalities
- Purpose of meeting
- Administrators' address to Creditors
- Determine the Willmott Group's Future
- Consider Committees of Inspection
- Any other business

 PPB ADVISORY

Meeting Formalities


- Administrator to chair the meeting.
- Quorum and details of proxies received.
- Observers present.
- Meetings to be held concurrently.
- Declaration that meeting is being held at a time and place convenient for the majority of creditors.
- Motions, Resolutions and Voting.
- Committee of Creditors.

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Purpose of meeting


For each company within the Willmott Group:-

- determine that company's future;
- if creditors resolve, to remove the Administrators from office and appoint someone else as the Liquidator/Deed Administrator.
- determine whether to appoint a Committee of Inspection and, if so, who are to be the Committee's members.

 PPB ADVISORY

Background

- The Willmott Group was first established in 1979.
- Comprised of the parent entity, Willmott Forests Limited (WFL) and nine subsidiaries.
- The Willmott Group engaged in the:-
 - Acquisition of land for establishing forestry plantations;
 - Maintenance of those plantations;
 - Negotiation of plantation harvesting contracts and operations; and
 - Marketing of forestry investment projects to the public through a number of schemes.
- WFL was listed on the ASX on 20 December 2000.
- WFL acts as the RE / Manager / Trustee over 8 registered schemes and 29 unregistered schemes.

 PPB ADVISORY

Background

- Avitus Fernandez of Fernandez Partners was appointed Administrator on 6 September 2010 by the Willmott Group directors.
- Mark Korda, Mark Mentha and Bryan Webster of KordaMentha were appointed Receivers and Managers on 6 September 2010 by the Banking Syndicate, comprised of the Commonwealth Bank of Australia Ltd and St George Bank Ltd.
- On 26 October 2010 the Federal Court of Australia appointed Ian Carson and Craig Crosbie of PPB Advisory as replacement Administrators.

Reasons for Failure



Director's opinion:

- Withdrawal of debt facilities by the Banking Syndicate on 6 September 2010.

Administrators' Opinion:

- Low level of Willmott Forests 2010 Scheme sales; and
- The Willmott Group's deferred fee model was not sustainable in an environment of declining scheme sales without a significant restructure of operations.

Financial Position



- Unaudited consolidated accounts for FY10 report a net profit after tax of \$9.9m.
- Loss of \$483k shown for the period 1 July 2010 to 6 September 2010.
- Sales for the 2010 Scheme was \$19.7m - \$60m lower than forecast.
- Operating cashflow deficiencies in FY09 and FY10 totalled \$72m.
- Net assets at FY10 reported at \$150m.

Issues:

- the methodology for valuing the Willmott Group's land holdings is inconsistent with the use of that land;
- the valuation methodologies of 'Standing Timber' and 'Future Harvest Proceeds' ignore the future costs to be incurred; and
- the non-recognition of future forestry maintenance obligations.

Scheme Viability



- Poyry engaged by Administrators to conduct a viability review.
- Poyry concluded circa \$123m NPV or \$338.7m in absolute terms required if Schemes are to be maintained through to final harvest.
- Between 18% and 88% of Schemes may not be viable.

Expressions of interest Campaign



- Administrators conducted an Expression of Interest (EOI) Campaign.
- Offers were due on 2 February 2011.
 - Three unacceptable non-binding proposals were received.
- No reasonable offer to take over WFL's role as RE / Manager / Trustee of the Schemes.
- Proposal received from Hancock Victoria Plantations Pty Ltd (HVP).
 - Negotiations with HVP are continuing in regards to the sale of trees located on HVP land.
 - Net proceeds from any such sale would be allocated and distributed to the relevant Grower Investors, whose interests lie on HVP land.
- Agreement with FNSW not to terminate agreements in event of liquidation.

Future of the Willmott Schemes



Winding up the Schemes

- Obtain power of sale for property:-
 - for Registered Schemes; and
 - for Unregistered Schemes.
- Sale campaign in relation to all land and trees in conjunction with the Receivers and Managers.
- On completion of the sale process, and with approval of the Court, net proceeds available for distribution to Grower Investors will be allocated between the various Schemes.

WGG Proposal

- Only covers certain Schemes.

Summary of Investigations



- Potential breaches of RE duties.
- A number of accounting errors or misstatements potentially exist in Willmott Group Accounts.
- Administrators investigations have revealed that the auditor of the Willmott Group may not have met required professional independence standards.
- Non disclosure of a \$200,000 payment may constitute a breach of the former Administrator's duty to declare all indemnities and relevant relationships.

Insolvent Trading

- The Administrators initial investigation indicates that the Willmott Group may have been insolvent since 30 June 2010.
- However, insolvency may have occurred:-
 - in April 2010 when the directors became aware that 2010 Scheme sales would be lower than forecast; or
 - possibly earlier where it can be established that insufficient assets were available to fund known liabilities.

Summary of Investigations

- The Administrators have identified one creditor receiving potentially unfair preferential payments totalling \$50,776;
- The Administrators have identified potentially uncommercial transactions entered into by the Willmott Group in the amount of \$331,108;
- Initial investigations did not identify any transaction that would be deemed to be an unfair loan;
- Initial investigations did not identify any "unreasonable director related transactions";
- The Administrators have not identified any arrangements to avoid employee entitlements;
- The Administrators are not aware of any voidable charges.

Estimated Return to Creditors

Due to the size and complexities of the Willmott Group's structure and operations, we are unable to determine with any degree of certainty:-

- The estimated return to creditors that might arise should the Willmott Group or particular individual entities of the Willmott Group enter into liquidation; and
- The likely timing of any return to creditors from the winding up of each Willmott Group company.

Questions?

Administrators remuneration

The Administrator of a company is ordinarily entitled to receive such remuneration as is determined:

- by agreement with the committee of creditors (if any); or
- by resolution of the company's creditors; or
- if there is no such agreement or resolution – by the Court.

On 28 October 2010, the Court ordered that pursuant to s447A of the Act that the process for the approval of the Administrators' remuneration be varied so that such remuneration must be determined by the Court.

The estimated professional time costs (excluding GST) to date is \$1,442,198.50.

Deed of Company Arrangement

Deed of Company Arrangement ('DOCA') (preliminary) proposal provided by Plantation Capital Ltd yesterday

Broad overview:

- Replace Willmott Forests Ltd as responsible entity
- Take possession of WFL assets including freehold land, leasehold interests, loan book and owned timber
- Growers required to pay annual maintenance fee and rent
- Lessors of land – future obligations to be paid
- Unsecured creditors to receive a portion of future harvest proceeds and future profits of WFL for the period of the DOCA (to be defined)
- Remaining employees to be offered ongoing employment
- Secured creditors to be offered a limited return on outstanding debt

DOCA conditions precedent:

- Binds secured creditors and all claims released
- Claims of other creditors (including growers) released.

Administrators' Opinion


The following options are available to creditors of each company to decide pursuant to section 439C of the Act, being that:

- a) The company should execute a DOCA; or
- b) The Administration of the company should end; or
- c) The company be wound up.

It is our recommendation, pursuant to section 439A(4)(b) of the Act, that it is in the best interests of creditors that each company in the Willmott Group be wound up (i.e. placed into liquidation).


The DOCA proposal is not in a form capable of acceptance by creditors.

It is not in the interests of creditors to bring the Administrations to an end and return control of the Willmott Group to its directors.

Resolution: Company's Future 


Willmott Forests Ltd

"That the Company be wound up and that Ian Carson and Craig Crosbie be appointed Joint and Several Liquidators of the Company."

Resolution: Company's Future 


Willmott Finance Pty Ltd

"That the Company be wound up and that Ian Carson and Craig Crosbie be appointed Joint and Several Liquidators of the Company."

Resolution: Company's Future 


Willmott Forest Nominees Pty Ltd

"That the Company be wound up and that Ian Carson and Craig Crosbie be appointed Joint and Several Liquidators of the Company."

Resolution: Company's Future 


Willmott Forests Investment Management Pty Ltd

"That the Company be wound up and that Ian Carson and Craig Crosbie be appointed Joint and Several Liquidators of the Company."

Resolution: Company's Future 


Willmott Forest Products Pty Ltd

"That the Company be wound up and that Ian Carson and Craig Crosbie be appointed Joint and Several Liquidators of the Company."

Resolution: Company's Future 


Willmott Energy Pty Ltd

"That the Company be wound up and that Ian Carson and Craig Crosbie be appointed Joint and Several Liquidators of the Company."

Resolution: Company's Future 


Willmott Notes Pty Ltd

"That the Company be wound up and that Ian Carson and Craig Crosbie be appointed Joint and Several Liquidators of the Company."

Resolution: Company's Future 


Willmott Subscriber Pty Ltd

"That the Company be wound up and that Ian Carson and Craig Crosbie be appointed Joint and Several Liquidators of the Company."

Resolution: Company's Future 


BioEnergy Australia Pty Ltd

"That the Company be wound up and that Ian Carson and Craig Crosbie be appointed Joint and Several Liquidators of the Company."

Resolution: Company's Future 


BioForest Ltd

"That the Company be wound up and that Ian Carson and Craig Crosbie be appointed Joint and Several Liquidators of the Company."


Liquidators' Remuneration 

- Recommended that liquidators' future remuneration be approved by a Committee of Inspection for each Willmott Group entity.
- Liquidators' estimate of professional time costs (excluding GST) from now until finalisation of the liquidation is below

Willmott Group Entity	Future Liquidation
Willmott Forests Limited - Scheme Tasks	\$906,984.00
Willmott Forests Limited - Non- Scheme Tasks	\$513,990.00
Total WFL Fees	\$1,420,974.00
Willmott Finance Limited	\$10,075.11
Willmott Forest Products Pty Ltd	\$10,075.11
Willmott Forests Investment Management Pty Ltd	\$10,075.11
Willmott Forest Nominees Pty Ltd	\$10,075.11
Willmott Energy Pty Ltd	\$10,075.11
Willmott Subscriber Pty Ltd	\$10,075.11
BioEnergy Australia Pty Ltd	\$10,075.11
BioForest Limited	\$10,075.11
Willmott Notes Pty Ltd	\$10,075.12
Total Fees	\$1,511,640.00

Committee of Inspection 

- Creditors to decide whether to have a Committee of Inspection (COI) for each Company.
- The Administrators recommend that a Committee of Inspection is formed for each company.
- In addition to being able to approve remuneration, a COI has a number of other statutory powers as well as being a valuable resource for the Liquidators to liaise and consult with throughout the administration.
- Creditors to nominate COI membership.
- Resolutions to form COI's where applicable.


Resolution: Committee of Inspection 

Willmott Forests Ltd

Nominations for members of the Committee of Inspection

Resolution:

"That a Committee of Inspection be appointed for Willmott Forests Limited comprising those creditors who nominated to be members of such a committee"


Resolution: Committee of Inspection 

Willmott Finance Pty Ltd

Nominations for members of the Committee of Inspection

Resolution:

"That a Committee of Inspection be appointed for Willmott Finance Pty Limited comprising those creditors who nominated to be members of such a committee"


Resolution: Committee of Inspection 

Willmott Forest Nominees Pty Ltd

Nominations for members of the Committee of Inspection

Resolution:

"That a Committee of Inspection be appointed for Willmott Forests Products Pty Limited comprising those creditors who nominated to be members of such a committee"


Resolution: Committee of Inspection 

Willmott Forests Investment Management Pty Ltd

Nominations for members of the Committee of Inspection

Resolution:

"That a Committee of Inspection be appointed for Willmott Forests Investment Management Pty Limited comprising those creditors who nominated to be members of such a committee"


Resolution: Committee of Inspection 

Willmott Forest Products Pty Ltd

Nominations for members of the Committee of Inspection

Resolution:

"That a Committee of Inspection be appointed for Willmott Forests Nominees Pty Limited comprising those creditors who nominated to be members of such a committee"


Resolution: Committee of Inspection 

Willmott Energy Pty Ltd

Nominations for members of the Committee of Inspection

Resolution:

"That a Committee of Inspection be appointed for Willmott Forests Limited comprising those creditors who nominated to be members of such a committee"


Resolution: Committee of Inspection 

Willmott Notes Pty Ltd

Nominations for members of the Committee of Inspection

Resolution:

"That a Committee of Inspection be appointed for Willmott Energy Pty Limited comprising those creditors who nominated to be members of such a committee"


Resolution: Committee of Inspection 

Willmott Subscriber Pty Ltd

Nominations for members of the Committee of Inspection

Resolution:

"That a Committee of Inspection be appointed for Willmott Notes Pty Limited comprising those creditors who nominated to be members of such a committee"


Resolution: Committee of Inspection 

BioEnergy Australia Pty Ltd

Nominations for members of the Committee of Inspection

Resolution:

"That a Committee of Inspection be appointed for BioEnergy Australia Pty Limited comprising those creditors who nominated to be members of such a committee"

Resolution: Committee of Inspection 

BioForest Ltd

Nominations for members of the Committee of Inspection

Resolution:

"That a Committee of Inspection be appointed for BioForest Limited comprising those creditors who nominated to be members of such a committee"

