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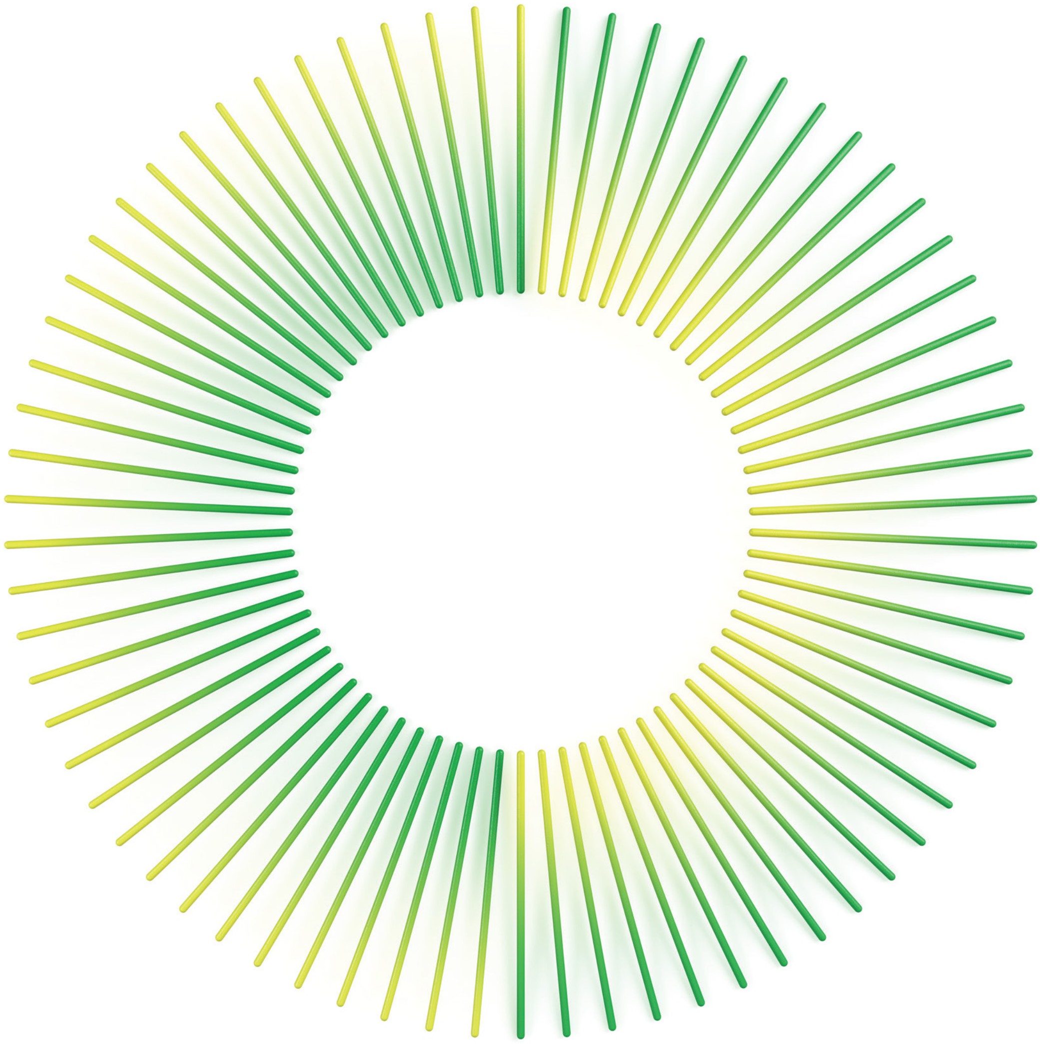

Guide to the Voluntary Administration Regime

Turnaround and Restructuring

MAKING AN IMPACT THAT MATTERS since 1845

Business recovery and insolvency specialists

Voluntary administration

Key Issues

Director issues

- Identify key reasons for the company's financial position
  - Failure of one key client responsible for the majority of income
  - Industry demographics
  - Specific business problems
  - Inadequate management information systems
  - Poor management
  - Lack of profitability
  - Inappropriate or redundant financial structuring.
- Is a voluntary administration and reconstruction of the business an appropriate mechanism for solving the company's problems?
- Is it appropriate for the business to continue to trade whilst being restructured?
- Does the secured creditor (if any) support reconstruction proposals?
- Has the ATO issued Director Penalty Notices?
- Will the secured creditor assist in the reconstruction process by way of a moratorium or further funding?

Trade-on issues

- Will the administration trade at a loss and will this significantly erode the value of the financier's security and return to creditors?
- Will the voluntary administrator need to borrow or obtain funding to trade-on the business?
- Is the company's stock obsolete or difficult to realise?
- Is customer support crucial? Ware there one or more major customers whose support is necessary?
- What professional fees and expenses will accrue for the duration of the administration?
- Secured creditors should consider seeking appropriate court relief preventing guarantors dealing with personal assets during the moratorium period
- Are creditors supportive of an extended moratorium of any action/s as prescribed in the proposed deed of company arrangement? If so, will creditors vote to support such a moratorium?

Secured creditor issues

When determining whether or not to act during the decision period the secured creditor should also consider the following:

- Does the secured creditor want an exit strategy from the customer?
- Is there more than one secured creditor?
- The secured creditor needs to ensure that it holds control of the votes in circumstances where a poll is called.
- Are creditors supportive of an extended moratorium of any action/s as prescribed in the proposed deed of company arrangement? If so, will creditors vote to support such a moratorium?
- Will the secured creditors' total exposure increase during voluntary administration by:
  - Ongoing interest accruals
  - Bill facilities roll overs
  - Further advances under floor plan arrangements
  - Call up of guarantees.
- Secured creditors should also consider their own treatment of interest accruals
- The secured creditors' maximum exposure should be reviewed considering the following factors:
  - Priority creditor claims
  - Available assets to cover trading costs, liens and other expenses incurred in the ordinary course of the administration.
  - Are the proposed voluntary administrators acceptable to the secured creditor(s)?

Administrators' issues

- Independence and conflicts of interest
- Experience and reputation
- Industry expertise
- National and international coverage
- Staffing considerations
- Expert consultants.

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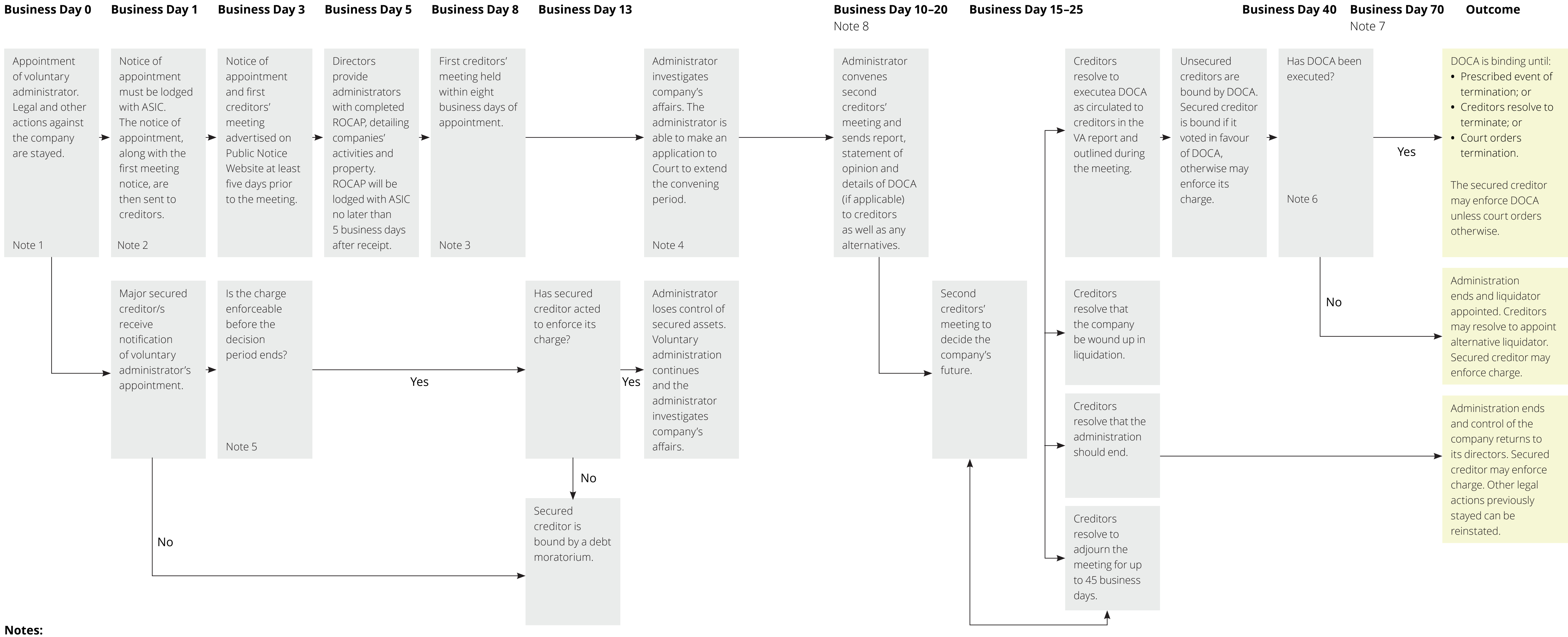
Voluntary administration flowchart



Notes:

1. Directors' powers are suspended at the date of the appointment of an administrator who assumes all of those powers although the directors are not required to resign. No action can be taken against directors or other guarantors in respect of guarantees except with leave of the Court, or unless such action commenced prior to the administrator's appointment. A voluntary administrator may be appointed by the directors, a liquidator, a provisional liquidator or a creditor with security over the whole, or substantially the whole, of the company's property.
2. Notice to be published on ASIC's Insolvency Notice website. The notice includes information about the first creditors' meeting.
3. Voting is carried by a simple majority in number unless a poll is required. In such instances, resolutions require a majority in number and value of those creditors present in person or by proxy and voting at the meeting.
4. The administrator must convene a second meeting during the period of time that is either 5 business days before or after the end of the "convening period". The convening period is normally 20 business days following appointment. In special circumstances, on application by the administrator, the Court may extend the convening period.
5. A secured lender, with a charge over the whole, or substantially the whole, of the company's property, may appoint a Receiver and Manager within 13 business days after receiving written notice of an administrator's appointment. This is referred to as the "decision period". The secured lender may extend the decision period under a deed of forbearance with the administrator.
6. DOCA to be executed 15 business days after creditors' approval. An extension may be granted by the Court.
7. The longest time period to convene a meeting of creditors if all extensions of time are utilised. Excludes any extensions granted by the Court.
8. Increased to 25 business days when in December, or less than 25 business days before Good Friday

Deloitte – a track record of success in VAs

Deloitte Turnaround and Restructuring has a demonstrated track record of generating exceptional results for all stakeholders in voluntary administration (VA) situations. Our team of professionals offer extensive experience and national reach. We have the experience and skills required to review your situation, advise on alternatives and suggest the most appropriate course of action to deal with situations involving insolvency or potential insolvency. Appointing an ethical, full service and quality firm demonstrates commitment to addressing both financial management and commercial problems.

A voluntary administration can be initiated in one of three ways:

- A company may appoint an administrator if the board is of the opinion that the company is insolvent or is likely to become insolvent at some future time
- A liquidator or provisional liquidator of a company may appoint an administrator if he or she thinks that the company is in solvent or is likely to become insolvent at some future time
- A person or entity who is entitled to enforce a charge on the whole, or substantially the whole, of the company's property may appoint an administrator of the company if the charge has become, and is still, enforceable and the company is not already being wound up.

Insolvency Services

- Business insolvency solutions – formal solutions for troubled or insolvent business that aim to continue the business where possible and maximise the return for creditors
- Lender solutions – assisting financing institutions with customer reorganisation issues and refinancing of difficult loans
- Court appointed receivership and provisional liquidation – when urgency is required to protect assets and stakeholder interests
- Personal insolvency services – part X arrangements and bankruptcy appointments for individuals.

Advisory Services

- Investigatory reviews and expert reports
- Turnaround – working with underperforming companies to help rapidly transform their business
- Crisis management – stabilisation, cash conversion, quick wins
- Business diagnostics – review of profitability, management, funding structure and surplus assets
- Supplier reviews – using an established methodology to identify risks, assess the financial health and provide actionable solutions to mitigate risks from suppliers relationships
- Pre-lending reviews – assessment of the viability and creditworthiness of businesses prior to the commitment of funds, including identifying issues and solutions to enable the transaction to proceed
- Corporate closure – controlled solvent closures of underperforming entities
- Corporate streamlining – reduction of the number of entities within a corporate structure to reduce statutory and accounting costs.

Working capital reviews

Cash flow is the lifeblood that supports most business decisions therefore it is critical that cash is managed effectively. Unlocking cash can play a major role in contributing to the growth or restructure of the business. We can assist management with the development and implementation of a cash and working capital optimisation program, assisting in the transfer of appropriate skills to the organisation's team through 'on the job coaching' to ensure that the improvements are sustained long after our involvement ends.

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