

## **Circular to Creditors**

### **Henry Walker Eltin Group Limited and subsidiaries (Administrators Appointed)**

**24 May 2005**

Following on from the update provided to the Creditors on 14 March 2005, we now report again on the progress of the HWE Administrations.

#### **1 Extension of Convening Period**

As Creditors are aware, the Administrators initially obtained approval from the Federal Court to extend the period during which the second meeting of creditors must be convened, to 23 May 2005. Although our work in preparing for the creditors meetings is advanced, activity was not sufficiently progressed to enable us to make a firm recommendation to creditors for each of the HWE entities in the timeframe required. In those circumstances our only other option would have been to adjourn the meeting.

On that basis, we approached the Court for a further extension of the convening period to 5 July 2005. Hely J of the Federal Court approved the extension and at this stage we expect the meetings will be held on Friday, 8 July 2005.

Further details will be provided in the coming weeks in our formal creditors report.

#### **2 Asset realisation**

We note below the recent achievements in the Administration:

- Successful transition of the Simon Engineering and NT Civil businesses to Abigroup and McMahons respectively, subsequent to completion of each sale;
- Completion of the sale of the Bridge Autos business in Darwin on 6 May 2005. Final sale proceeds were in excess of \$12 million;
- Completion of the sale of PT HWE Indonesia on 6 May 2005. Final sale proceeds were in excess of \$40 million;
- Securing assets and commencing realisation strategies for HWE's investments in Chile and Jamaica;
- Reaching agreement to dispose of the majority of HWE's Civil business in Western Australia; and
- Advancing realisation strategies for the Land holdings and Water Treatment businesses.

As expected, the major focus of our activity is progressing the sale of HWE's mining operations.

### **3 HWE Mining**

The contract mining business is the most significant of HWE's businesses. Operations are primarily based in Western Australia, but with substantial operations in New Zealand and Jamaica. We are progressing the range of matters associated with the realisation of HWE Mining including:

- Preparation of a Business Plan and Financial Forecasts to support the sale process;
- Securing capital to ensure HWE Mining meets its capital expenditure and contract expansion targets;
- Reviewing customer contracts;
- Preparation of an Information Memorandum; and
- Preparing a data room to support the sale, which is overseen by a Due Diligence committee including representatives from the Administrators, HWE Mining and our legal, financial and other advisers.

The Information Memorandum and supporting documents detailed above will be provided to potential purchasers pursuant to strict confidentiality arrangements.

### **4 Creditors Report**

The Administrators are preparing a comprehensive report to creditors pursuant to Section 439A of the Corporations Act. The report will incorporate:

- Information taken from the Reports as to Affairs lodged by the directors for each entity;
- Our financial analysis of the information provided and presentation of HWE's financial position, as best it can be established, as at 1 February 2005;
- The results of our investigation into the reasons for the failure of HWE, and consideration of any insolvent transactions and preferences;
- The likely return to creditors in the event the entities were wound up in insolvency; and
- Whether a Deed of Company Arrangement ("DOCA") proposal is in the interests of creditors.

Work on the report is advanced as is a DOCA proposal. For the next month or so we will focus on:

- Completing our financial assessment;
- Quantifying the creditors claims arising from the Reports as to Affairs;
- Determine the impact of various guarantees, Class Orders and other arrangements on the likely returns to unsecured creditors of each entity;
- Establishing the legal position and quantum of certain intercompany claims;
- Completing the liquidation scenario analysis; and

- Subject to all the above, finalising a DOCA proposal.

## 5 Committees of Creditors

The Committees of Creditors have met three times since the commencement of the Administration, during February, April and May 2005. We have given the Committees updates in relation to the conduct of the Administration, business sales and forthcoming activities. As previously advised, the Administrators successfully applied to the Court to facilitate approval by the Committees of Creditors of our remuneration as Voluntary Administrators. To date, the Committees have approved payment of our remuneration from 1 February 2005 up to and including 1 April 2005, in the amount of \$3,189,905, exclusive of GST, for the 5 key legal entities in the group.

The Committees have also approved payment of the fees of Ernst & Young during and subsequent to their period as Administrators, in the amount of \$261,274, exclusive of GST.

The Committees will meet again during June 2004 before the scheduled meetings of creditors.

## 6 Conclusion

Between now and the convening of the second meeting of creditors the Administrators' primary focus will be:

- Commencing the sale process for the HWE Mining Assets;
- Progressing sale/exit strategies for the various other businesses as appropriate;
- Make payments to priority employee creditors where possible, and continuation of the rationalisation and downsizing program where appropriate; and
- Finalise our Creditors Report, which will follow in due course.

We will be working with key stakeholders and the Committees of Creditors in relation to all of the above.

Creditors should contact John Butcher of HWE on 02 9887 6425 if you have any queries in relation to the above, or with queries or updates concerning their claims.

Yours faithfully



J D Hayes  
Administrator



S B Kershaw  
Administrator