

Fincorp Update

30 March 2007

KordaMentha today estimated that secured note holders in the Fincorp Group of Companies should receive a minimum 30 cents in the dollar on their investments.

Unsecured note holders and other unsecured creditors were unlikely to receive any return.

KordaMentha, who were appointed administrators of the failed Fincorp Group of Companies on 23 March, provided the estimated returns to investors at three separate meetings of creditors in Sydney today.

The joint administrator, Mr David Winterbottom, said the estimates were preliminary and based on the purchase price of Fincorp property assets. He said the estimates assumed there would be an orderly sale of the Fincorp property assets and not a “fire sale.”

“The picture for nearly all investors is gloomy and in a lot of cases there will be a devastating impact on investors and their families,” he said.

Mr Winterbottom said that as properties were realised, payments would be made as soon as possible.

The Fincorp Group has an estimated 8,000 investors – about two thirds of them in New South Wales and the remainder throughout Australia, but mainly in Victoria.

Mr Winterbottom said preliminary figures showed there were about 7,000 secured note holders owed a total of about \$178 million and about 1,100 unsecured note holders owed about \$23 million.

Mr Winterbottom said the total number of investors was still being assessed.

He said the 21 companies in the Fincorp Group under the administration had an estimated deficiency of at least \$100 million but this was likely to rise and could be as high as \$150 million.

The Fincorp Group has 10 development properties – six in Victoria and four in Queensland.

Mr Winterbottom said a preliminary assessment by KordaMentha of the causes of the failure of the Fincorp Group showed the Group had:

- Overpaid for some properties
- Been poorly managed
- Excessive corporate overheads and high marketing costs
- Borrowed short term on long term property assets
- Issued loans to risky investments
- Not developed properties quickly enough – with most of the properties still undeveloped

He said there would be ongoing investigations into other causes for the failure.

Mr Winterbottom assured all investors there would be a “complete, thorough and comprehensive investigation into all matters relating to the governance and transaction history” of the Fincorp Group.

Mr Winterbottom said KordaMentha would rapidly assess the full financial position of the Fincorp Group and develop a sale and development strategy on the 10 properties with secured financiers.

He said to help maximise any potential upside for creditors, joint venture opportunities would be examined.

He said KordaMentha had a comprehensive communications program in place to communicate with investors and said investors should also regularly visit the websites, www.kordamentha.com and www.fincorp.com.au

For media inquiries, contact:

David Wilson – 0411 055 311

Michael Smith – (03) 9671 4456 or 0411 055 306