

## HASTIE GROUP LIMITED AND SPECIFIC SUBSIDIARIES (ADMINISTRATORS APPOINTED) ('HASTIE GROUP')

---

### Airductor Pty Limited (Administrators Appointed) (the 'Company') ACN 130 035 380

**Status at appointment:** Trading / Dormant / Administrative

**Date acquired by Hastie Group:** 21 July 2008

**Principal activity:** Installations, maintenance and repair of commercial and industrial air conditioning systems

**Location of operations:** Berrimah, Northern Territory

Creditors should consider this Hastie Group company report in conjunction with the body of this report under the following headings:

1. Expected return to creditors
2. Reasons for the Company's failure
3. Offences, voidable transactions and insolvent trading
4. Directors' Report as to Affairs (RATA)
5. Summary of historical financial results

Creditors are also advised to have regard to sections 7 and 8 of the Report for details of directors, registered charges and shareholders, along with the discussion on books and records.

### 1. Expected return to creditors

Based upon investigations to date, we estimate the return to creditors from the realisation of Company Assets (excluding any realisations from claims by a liquidator) as:

Banking syndicate	0 - 1 cents in the \$
Security interest holder	-
Employees	45 - 55 cents in the \$
Ordinary unsecured creditors	-

The Company's major asset was trade receivables. The total of receivables recovered to 31 December 2012 is \$736k.

Subject to the outcome of potential litigation (if pursued), the return to certain creditor classes may increase (refer to section 7 of the main report).

All or substantially all employee entitlements (excluding superannuation arrears) have now been paid by DEEWR under the GEERS. These amounts are funded directly by DEEWR and not recoveries generated from Company assets. To the extent any return to employees is available, this will be distributed on a pro-rata basis to DEEWR for funds advanced and the ATO for outstanding superannuation.

### 2. Reasons for the Company's failure

The Administrators' consider the principal reasons for the Company's failure are:

- Poor pre-contract project risk assessment and poor controls over pricing and project management
- Reticence of management to report underperformance in the relevant reporting period resulting in inappropriate management decision making
- The cessation of funding from a related company, Hastie Holdings Pty Ltd.

## HASTIE GROUP LIMITED AND SPECIFIC SUBSIDIARIES

### (ADMINISTRATORS APPOINTED) ('HASTIE GROUP')

### 3. Offences, voidable transactions and insolvent trading

The Administrators' preliminary findings are detailed at Section 7 of the body of this report.

### 4. Directors' Report as to Affairs (RATA)

The directors have not supplied a RATA.

### 5. Summary of historical financial results

The table below includes the Administrators' estimate of the:

- value of the Company's assets and liabilities
- shortfall to the ordinary unsecured creditors.

	Notes	Company reported at 30 April 2012	Administrators' estimate at 28 May 2012
		Book Value \$'000	Realisable Value \$'000
<b>Assets</b>			
Cash on hand	1	-	-
Trade receivables	2	2,601	Not disclosed
Inventory	3	17	-
Work in progress	4	184	Not disclosed
Prepayments		(18)	-
Plant and machinery	5	204	Not disclosed
Current and deferred tax assets		267	-
		<b>3,255</b>	<b>-</b>
<b>Liabilities</b>	6		
Secured creditors	7	-	(259,900)
Intercompany loans		1,821	-
Priority creditors (employees)	8	(320)	(727)
Ordinary unsecured creditors (inc accruals)		(2,698)	(2,698)
		<b>(1,197)</b>	<b>(263,325)</b>
<b>Contingent Liabilities</b>			
Warranties		(65)	(65)
Bonds/Guarantees	9	-	(270,000)
<b>Surplus / (deficiency)</b>		<b>1,993</b>	<b>(533,390)</b>

The above deficiency does not take account of:

- Administrators' or Liquidators' costs. Total Administrators' costs to 31/12/2012 is \$237k.
- Potential recoveries that are only available to a Liquidator to pursue.

#### Administrators' comments

1. From November 2011, the Company's cash on hand was 'swept' daily into an account of Hastie Holdings Pty Ltd (**HH**) which performed the treasury function for the Australian trading operations. Given this, the swept balance has been included in the intercompany balance. Upon appointment, the Receivers placed a 'debit freeze' on the account pursuant to its security. The intercompany loan of \$1.8m represents funds transferred to HH.
2. Some receivables have lodged offsetting claims against the Company. Estimated collections have not been disclosed to avoid compromising negotiations and realisations.
3. Likely to be unrecoverable; the majority of inventory being on building sites beyond the Administrators' control.
4. Estimated value has not been disclosed to avoid compromising negotiations and realisations.

## HASTIE GROUP LIMITED AND SPECIFIC SUBSIDIARIES

### (ADMINISTRATORS APPOINTED) ('HASTIE GROUP')

5. As part of the sale, plant and machinery was also sold. The result achieved was higher than the forced sale estimates obtained from valuers. Details of the transaction have been withheld from this report as the terms are confidential.
6. The Company has entered into a deed of cross guarantee with Hastie Group Ltd pursuant to ASIC Class Order 98/1418.
7. The Company is a co-guarantor to the Banking Syndicate's facilities of \$260m. This debt is secured by the Company's assets and assets of various related companies.
8. The \$407k increase represents redundancy costs and an adjustment to other entitlements underprovided by the Company.
9. The Company is a co-guarantor to the Banking Syndicate's Performance Guarantee and Financial Guarantee issuance facilities of \$270m secured by the Company's assets and assets of various related companies.

	Notes	2009 \$'000s	2010 \$'000s	2011 \$'000s	30-Apr-12 \$'000s
Sales	1	14,270	15,332	20,371	14,320
Expenses: Cost of sales		(8,427)	(12,088)	(15,028)	(13,064)
Gross Profit		5,843	3,244	5,343	1,256
GM%	2	40.9%	21.2%	26.2%	8.8%
Other operating expenses	3	(4,772)	(1,853)	(4,345)	(1,482)
Other Significant items		-	-	-	-
<b>EBITDA</b>	<b>A</b>	<b>1,071</b>	<b>1,391</b>	<b>998</b>	<b>(226)</b>
Net Assets	B	637	1,527	2,183	1,993
Working capital	C	63	(499)	(33)	104
Current Assets / Current Liabilities	4	1.060	1.446	1.623	1.580
Net cash inflow / (outflow)	D	500	(176)	80	(59)

\* Financial results reported above are prior to intra-company consolidation adjustments.

#### Key

- A. Earnings before interest, depreciation & amortisation and after any significant items.
- B. Surplus / (deficit) of total assets less total liabilities.
- C. The sum of trade receivables and inventories (inclusive of WIP) less any trade payables.
- D. The change in available cash at bank or notional cash over the relevant period.

#### Administrators' comments

1. Changes in revenue reflect the quantum of projects won.
2. The significant decline in profit margins reflects inadequate project management processes as well as the impact of competition across the construction industry. Losses have been realised on some projects – including the Highway House and Alice Springs Theatre.
3. Many of these costs were replicated within Hastie Holdings Pty Ltd which provided the administration function to the Company and other Hastie Group (operating) companies. The Company also maintained its own administration function, the costs for which are incorporated in 'Other operating expenses'.
4. Result of less than one indicates that the Company was operating with financial stress. This was however mitigated by funding provided by Hastie Holdings Pty Ltd.