Austral Refrigeration Pty Ltd

(Receivers and Managers Appointed) (Administrators Appointed) (the 'Company')

ACN 001 702 594

Status at appointment:	Trading / Dormant / Administrative
Date acquired by Hastie Group:	20 August 1979
Principal activity:	Design, installation and service of commercial refrigeration products.
Location of operations:	Glendenning, New South Wales

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

The Receivers and Managers of the Company expect to finalise the sale of the business as a going concern in early 2013. The Receivers expect there will be sufficient circulating assets to pay outstanding employee entitlements following a successful sale.

The Receivers have advised there will be no surplus funds available to ordinary unsecured creditors.

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

2. Reasons for the Company's failure

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

- The cessation of funding from a related company, Hastie Holdings Pty Ltd.

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
Assets	1		
Cash on hand	2	-	-
Trade receivables		8,479	Unknown
Inventory		11,062	Unknown
Work in progress		3,682	Unknown
Prepayments		309	Unknown
Plant and machinery		2,420	Unknown
Software		13	Unknown
Investments in Subsidiaries		9,909	Unknown
Current and deferred tax assets		1,241	Unknown
		37,115	**-**
Liabilities	3		
Secured creditors	4	(231)	(260,131)
Intercompany loans		5,971	5,971
Priority creditors (employees)	5	(3,138)	Unknown
Ordinary unsecured creditors (inc accruals)		(8,103)	(8,103)
		(5,501)	**(262,263)**
Contingent Liabilities			
Warranties		(80)	(80)
Bonds/Guarantees	6	-	(270,000)
Surplus / (deficiency)		**31,534**	**(532,343)**

The above deficiency does not take account of:

- Administrators' or Liquidators' costs. Total Administrators' costs to 31/12/2012 are $33k
- Potential recoveries which are only available to a Liquidator to pursue.

Administrators' comments

1. Sale of the business and assets of the Company is expected to be finalised in early 2013 by the Receivers and Managers. Details of all preliminary discussions have not been disclosed to date but any proceeds generated from this sale will form part of the return to the Banking Syndicate.

2. From November 2011, the Company's cash on hand was 'swept' daily into an account of Hastie Holdings Pty Ltd 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.

3. The Company has entered into a deed of cross guarantee with Hastie Group Ltd pursuant to ASIC Class Order 98/1418.

4. 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.

5. The employees of the Company are under the control of the Receivers. The Receivers expect that there will be sufficient circulating assets available to pay outstanding employee entitlements following sale of the business. The Administrators have not been advised of any revised estimates of the entitlements.

6. 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	105,951	87,947	85,967	75,508
Expenses: Cost of sales		(81,045)	(66,305)	(66,815)	(60,610)
Gross Profit		24,906	21,642	19,152	14,898
GM%	2	*23.5%*	*24.6%*	*22.3%*	*19.7%*
Other operating expenses	3	(16,751)	(16,770)	(18,299)	(14,421)
Other Significant items		-	-	-	-
EBITDA A		**8,155**	**4,872**	**853**	**477**
Net Assets B		27,687	30,808	31,651	31,534
Working capital C		12,311	9,860	13,659	15,120
Current Assets / Current Liabilities	4	*1.872*	*2.151*	*2.326*	*2.716*
Net cash inflow / (outflow) D		3,583	(936)	13	1,992

* 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. Fluctuations in revenue reflect the different levels of work won in recent years due to increased competition and other factors. Management have advised that significant long term client Woolworths had reduced its demand for work in 2012 affecting revenues.

2. Declining profit margins reflect the impact of competition across the construction industry. Despite this the Company has maintained strong profit margins compared with other Hastie Group entities.

3. Operating expenses appear well managed in recent periods. However 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 functions, the costs for which are incorporated in 'Other operating expenses'.

4. A 'Working Capital' ratio 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.