

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

D & E Mechanical Services Pty Limited
(Administrators Appointed) (the 'Company')
ACN 133 340 459

Status at appointment:	Trading / Dormant / Administrative
Date acquired by Hastie Group:	19 September 2008
Principal activity:	Previously providing mechanical and plumbing services, the Company's operations were transferred into D&E Air Conditioning Pty Ltd in FY10.
Area of operations:	Rowville, Victoria

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 Company held no assets. Accordingly, there is no return to creditors from Company assets.

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 Company had already ceased trading in the FY10 and as such the Administrators' consider the principal reason for the Company's failure is:

- 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.

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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			
Cash on hand	1	-	-
Trade receivables		-	Not disclosed
Prepayments		17	-
		17	-
Liabilities	2		
Secured creditors	3	-	(259,900)
Intercompany loans		(157)	(157)
Priority creditors (employees)		-	-
Ordinary unsecured creditors (inc accruals)		(9)	(9)
		(166)	(260,066)
Contingent Liabilities			
Bonds/Guarantees	4	-	(270,000)
Surplus / (deficiency)		(149)	(530,066)

The above deficiency does not take account of:

- Administrators' or Liquidators' costs. Total Administrators' costs to 31/12/2012 are \$23k.
- Potential recoveries that are only available to a Liquidator to pursue.

Administrators' comments

1. The Company ceased trading in late 2010 when operations were moved into the Hastie subsidiary 'D & E Air Conditioning Pty Ltd'.
2. The Company has entered into a deed of cross guarantee with Hastie Group Ltd pursuant to ASIC Class Order 98/1418.
3. 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.
4. 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.

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	Notes	2009 \$'000s	2010 \$'000s	2011 \$'000s	30-Apr-12 \$'000s
Sales		4,491	2,455	10	-
Expenses: Cost of sales		(4,164)	(2,398)	(7)	-
Gross Profit		327	57	3	-
GM%	1	7.3%	2.3%	30.0%	-
Other operating expenses		(226)	(137)	(110)	-
Other Significant items		-	-	-	-
EBITDA	A	101	(80)	(107)	-
Net Assets	B	(3)	(78)	(149)	(149)
Working capital	C	540	70	25	(9)
Current Assets / Current Liabilities	3	0.266	0.063	0.186	0.102
Net cash inflow / (outflow)	D	170	(162)	(8)	-

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

Key

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

Administrators' comments

- Gross profit margins were historically low compared with other entities in the Hastie group reflecting the inadequate project management protocols in place at the time and the impact of competition in the construction industry.
- FY11 results include the period of operation before the Company ceased trading.
- A 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.