

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

ACN 118 354 331 Pty Ltd (formerly Gordon Brothers Industries Pty Ltd)
(Receivers and Managers Appointed) (Administrators Appointed)
(the 'Company')

ACN 118 354 331

Status at appointment:	Trading / Dormant / Administrative
Date acquired by Hastie Group:	12 April 2006
Principal activity:	Industrial refrigeration services, health & safety services, refrigeration oils, parts and service.
Location of operations:	Brunswick, Bendigo, Victoria Griffith, Campsie, New South Wales Regency Park, South Australia Acacia Ridge, Garbutt, Queensland Malaga, Western Australia

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

Receivers and Managers of the Company finalised the sale of the business in September 2012. The Administrators have been advised that all but 1 employee was transferred to the new operators upon completion of the sale. The remaining employee was paid out their employee entitlements as a priority creditor claim.

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.

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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	1		
Cash on hand	2	-	-
Trade receivables		7,292	Unknown
Inventory		1,872	Unknown
Work in progress		755	Unknown
Prepayments		134	Unknown
Plant and machinery		2,664	Unknown
Software		27	Unknown
Goodwill and Intangibles		16,819	Unknown
Current and deferred tax assets		610	Unknown
		30,173	-
Liabilities	3		
Secured creditors	4	(1,395)	(261,295)
Intercompany loans		13,394	13,394
Priority creditors (employees)	5	(4,391)	Unknown
Ordinary unsecured creditors (inc accruals)		(3,861)	(3,861)
		3,747	(251,762)
Contingent Liabilities			
Warranties		(902)	(902)
Bonds/Guarantees	6	-	(270,000)
Surplus / (deficiency)		33,018	(522,664)

The above deficiency does not take account of:

- Administrators' or Liquidators' costs. Total Administrators' costs to 31/12/2012 are \$40k.
- Potential recoveries that are only available to a Liquidator to pursue.

Administrators' comments

1. The business and assets of the Company were transferred in the going concern sale of the Company completed in September 2012 by the Receivers and Managers. Proceeds received from the sale have not been disclosed to date but 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. The intercompany loan of \$13.3m indicates the quantum of funds transferred to Hastie Holdings Pty Ltd.
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.

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5. The employees of the Company are under the control of the Receivers.
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	45,116	50,509	63,778	51,302
Expenses: Cost of sales		(38,593)	(43,227)	(55,557)	(45,028)
Gross Profit		6,523	7,282	8,221	6,274
GM%	2	14.5%	14.4%	12.9%	12.2%
Other operating expenses	3	(2,417)	(1,622)	707	(844)
Other Significant items		-	-	-	-
EBITDA	A	4,106	5,660	8,928	5,430
Net Assets	B	7,166	24,262	29,673	33,018
Working capital	C	4,244	4,457	8,011	6,058
Current Assets / Current Liabilities	4	0.425	1.303	1.745	2.628
Net cash inflow / (outflow)	D	702	(161)	(244)	2,671

* 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.
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.