

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

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### Hastie Group Ltd (Administrators Appointed) (the 'Company') ACN 112 803 040

<b>Status at appointment:</b>	Trading / Dormant / <b>Administrative</b>
<b>Date acquired by Hastie Group:</b>	N/A
<b>Principal activity:</b>	The Company is the listed parent entity of the Hastie group of companies. It holds shares for some of the companies within the group.
<b>Location of operations:</b>	Rydalmere, 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 only asset of the Company is shares in various subsidiaries; the value of which is not recoverable.

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 Group's, and therefore the company's failure, is because of a number of longer-term issues, namely:

- poorly implemented acquisition strategy (refer section 7.9.2)
- profitable companies subsidising the loss-making Middle East businesses. Between September 2011 and May 2012, funding of \$53m from other profitable businesses was applied to fund loss making operations in the Middle East. (refer section 7.9.3)
- inadequate operational management processes and increased competition (refer section 7.9.4)
- inadequate management reporting systems, including from subsidiary management to the Board (refer section 7.9.4)
- inadequate Board reporting systems and interrogation of management and financial reports by the Board (refer section 7.9.5).

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

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

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### 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		-	Not disclosed
Inventory		-	-
Work in progress		-	-
Prepayments		-	-
Plant and machinery		-	Not disclosed
Software		-	-
Investments in Subsidiaries		152,200	152,200
Goodwill and Intangibles		-	Not disclosed
Current and deferred tax assets		8,383	8,383
		<b>160,583</b>	<b>160,583</b>
<b>Liabilities</b>	2		
Secured creditors	3	-	(259,900)
Intercompany loans		423,004	423,004
Priority creditors (employees)	4	-	-
Ordinary unsecured creditors (inc accruals)		(1)	(1)
		<b>423,003</b>	<b>163,103</b>
<b>Contingent Liabilities</b>			
Warranties		-	-
Claims and legal action		-	-
Bonds/Guarantees	5	-	(270,000)
<b>Surplus / (deficiency)</b>		<b>583,586</b>	<b>53,686</b>

The above deficiency does not take account of:

- Administrators' or Liquidators' costs. Total Administrators' costs to 31/12/2012 is \$1.33m.
- 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 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.
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.

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4. We are not aware of the Company having any employees. However, the Receivers of Hastie Holdings Pty Ltd are yet to quantify all claims on that company and advise there is uncertainty regarding the employing entity and some individuals may ultimately be deemed employees of Hastie Group Ltd. Further information regarding this matter will be made available to the relevant employees, including how their entitlements will be addressed, by the end of January 2013.
5. 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		-	-	-	-
Expenses: Cost of sales		-	-	-	-
Gross Profit		-	-	-	-
GM%		-	-	-	-
Other operating expenses	1	(1,036)	(520)	(331)	(1,402)
Other Significant items		-	-	-	-
<b>EBITDA</b>	<b>A</b>	<b>(1,036)</b>	<b>(520)</b>	<b>(331)</b>	<b>(1,402)</b>
Net Assets	<b>B</b> 2	422,305	435,129	470,871	583,586
Working capital	<b>C</b>	(174)	-	(22)	(1)
Current Assets / Current Liabilities		N/A	N/A	N/A	N/A
Net cash inflow / (outflow)	<b>D</b>	105	(93)	(1)	(3)

\* 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. This relates to the administration functions of the Company, as the listed parent entity of the Group. Some of its statutory functions were also undertaken by Hastie Holdings Pty Ltd.
2. The Net Asset position comprises investments in subsidiaries and intercompany receivables.