

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

Hastie Holdings Pty Ltd

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

ACN 000 533 782

| | |
|---------------------------------------|---|
| Status at appointment: | Trading / Dormant / Administrative |
| Date acquired by Hastie Group: | 11 February 2005 |
| Principal activity: | The Company is the 100% shareholder for a number of Companies within the group and provides administrative support for the group. |
| Location of operations: | 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

Receivers and Managers of the Company have indicated that there should be sufficient circulating assets to satisfy claims of priority creditors, however, there will be no surplus funds available for 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 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).

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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 | | | |
| Cash on hand | 1 | 57,535 | c.30,000 |
| Trade receivables | | - | Unknown |
| Inventory | | - | Unknown |
| Work in progress | | - | Unknown |
| Prepayments | | 1,189 | Unknown |
| Plant and machinery | | 1,646 | Unknown |
| Software | | 2,052 | Unknown |
| Investments in Subsidiaries | | 100,763 | Unknown |
| Goodwill and Intangibles | | 6,334 | Unknown |
| Current and deferred tax assets | | 13,215 | Unknown |
| | | 182,734 | - |
| Liabilities | 2 | | |
| Secured creditors | 3 | (196,804) | (259,958) |
| Intercompany loans | | (277,393) | (246,958) |
| Priority creditors (employees) | 4 | (2,096) | Unknown |
| Ordinary unsecured creditors (inc accruals) | | (9,685) | (9,685) |
| | | (485,978) | (516,601) |
| Contingent Liabilities | | | |
| Warranties | | - | - |
| Claims and legal action | | (160) | (160) |
| Bonds/Guarantees | 5 | - | (270,000) |
| Surplus / (deficiency) | | (303,564) | (786,761) |

The above deficiency does not take account of:

- Administrators' or Liquidators' costs. Total Administrators' costs to 31/12/2012 is \$45k.
- Potential recoveries that are only available to a Liquidator to pursue.

Administrators' comments

1. From November 2011, the Company took up a treasury function for the Australian trading operations 'sweeping' group accounts into the Company's account daily. 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.

Funds used by the Company to support Australian operations are provided under the Syndicated Facility Agreement with Hastie Group Limited dated 7 June 2011 and amended on 10 April 2012.

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

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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. We understand the Company has some employees, but the Receivers are yet to quantify all claims. They also advise there is uncertainty regarding the employing entity. Further information regarding this matter will be made available to these 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 | | - | 66 | 73 | - |
| Gross Profit | | - | 66 | 73 | - |
| GM% | | - | - | - | - |
| Other operating expenses | 1 | (15,939) | (15,651) | (15,535) | (13,477) |
| Other Significant items | | - | - | (2,304) | (9,094) |
| EBITDA | A | (15,939) | (15,585) | (17,766) | (22,571) |
| Net Assets | B 2 | (226,812) | (272,021) | (303,559) | (330,504) |
| Working capital | C | (3,492) | 4,069 | 5,394 | (9,685) |
| Current Assets / Current Liabilities | | N/A | N/A | N/A | N/A |
| Net cash inflow / (outflow) | D | 7,505 | (5,714) | 30,915 | (59,806) |

* 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. Operating expenses relate to the provision of administrative services to many of the Group's subsidiaries, including the provision of treasury services to the Group and statutory reporting services for the listed entity.
2. The Net Asset position comprises cash balances, investments in subsidiaries and intercompany receivables offset by secured external loans and intercompany payables.
3. The significant cash outflow in FY12 related to the provision of funding to many parts of the Group, particularly to the Middle East.