

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

Nisbet and Durney Pty Limited (Administrators Appointed) (the 'Company') ACN 131 810 896

Status at appointment:	Trading / Dormant / Administrative
Date acquired by Hastie Group:	9 July 2008
Principal activity:	Provides plumbing, hydraulic, mechanical and medical gas products and services to residential and commercial building industries
Location of operations:	Auburn, 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

Based upon investigations to date, we estimate the return to creditors from the realisation of Company assets (excluding any realisations from claims by a liquidator) as:

Banking syndicate	0 - 1 cents in the \$
Security interest holder	-
Employees	-
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).

All or substantially all employee entitlements (excluding superannuation arrears) have now been paid by DEEWR under the GEERS. These amounts are funded directly by DEEWR and not recoveries generated from Company assets. To the extent any return to employees is available, this will be distributed on a pro-rata basis to DEEWR for funds advanced and the ATO for outstanding superannuation.

2. Reasons for the Company's failure

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

- Strained relationships with key creditors and clients following the Hastie Group trading halt.
- Poor pre-contract project risk assessment and poor controls over pricing and project management.
- Competitive industry conditions resulting in lower margins and generally an inability to secure new work.
- The cessation of funding from a related company, Hastie Holdings Pty Ltd.

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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	-	-
Trade receivables	2	3,278	Not disclosed
Work in progress	3	(164)	-
Prepayments		(39)	-
Plant and machinery	4	453	158
Software		4	-
Investments in Subsidiaries		55	-
Goodwill and Intangibles		15,494	-
Current and deferred tax assets		232	-
		19,313	158
Liabilities	5		
Secured creditors	6	(69)	(259,969)
Intercompany loans		(14,616)	(14,616)
Priority creditors (employees)	7	(611)	(1,023)
Ordinary unsecured creditors (inc accruals)		(3,475)	(3,475)
		(18,771)	(279,083)
Contingent Liabilities			
Warranties		(603)	(603)
Claims and legal action		(200)	(200)
Bonds/Guarantees	8	-	(270,000)
Surplus / (deficiency)		(461)	(549,729)

The above deficiency does not take account of:

- Administrators' or Liquidators' costs. Total Administrators' costs to 31/12/2012 are \$141k.
- 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 majority of receivables have lodged offsetting claims against the Company. Estimated collections have not been disclosed to avoid compromising negotiations and realisations. The total of receivable recovered to 31/12/2012 is \$52k.

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3. Billed in advance and as such recoveries are not expected.
4. The sale of business program did not yield any acceptable offers. Consequently, plant and machinery was sold at auction. Reported recoveries are net of direct realisation costs arising from collection and auction.
5. The Company has entered into a deed of cross guarantee with Hastie Group Ltd pursuant to ASIC Class Order 98/1418.
6. 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.
7. The \$412k increase represents redundancy costs and an adjustment to other entitlements underprovided by the Company.
8. 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	18,579	16,801	17,879	20,675
Expenses: Cost of sales		(14,822)	(15,688)	(17,763)	(18,879)
Gross Profit		3,757	1,113	116	1,796
GM%	2	20.2%	6.6%	0.6%	8.7%
Other operating expenses	3	(2,573)	(1,249)	(1,941)	(1,060)
Other Significant items	4	-	-	-	(200)
EBITDA	A	1,184	(136)	(1,825)	536
Net Assets	B	2,648	2,631	1,502	(261)
Working capital	C	(154)	(135)	1,032	(361)
Current Assets / Current Liabilities	5	0.201	0.211	0.239	0.186
Net cash inflow / (outflow)	D	1,711	(536)	(890)	100

* 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. Consistent generation of revenue in prior years reflects the stronger pipeline of work being won in these years. The Company has however experienced difficulty securing new work in FY12, instead sourcing \$6.2m of work from intergroup sources.
2. Variances in profit margins indicate a lack of appropriate project management protocols as well as the impact of competition across the construction industry.
3. 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 function, the costs for which are incorporated in 'Other operating expenses'.
4. Other significant items include a provision for accruals of \$200k. Overall, the Company has incurred losses of some \$241k in the period FY09 to April 2012.
5. 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.