

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

Norfolk Maintenance Holdings Pty Limited
(Administrators Appointed) (the 'Company')
ACN 123 207 312

Status at appointment: Trading / Dormant / Administrative

Date acquired by Hastie Group: 31 January 2007

Principal activity: Maintenance of commercial and residential food appliances

Location of operations: Fyshwick, Australia Capital Territory

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	15 - 25 cents in the \$
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:

- Inability to grow or maintain revenue with a lack of 'new' ongoing contracts
- Unsustainably high administration cost
- The cessation of funding from a related company, Hastie Holdings Pty Ltd.

3. Offences, voidable transactions and insolvent trading

The Administrators' preliminary investigations 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
Assets			
Cash on hand	1	-	-
Trade receivables	2	577	Not disclosed
Inventory	3	764	5
Work in progress	4	204	Not disclosed
Prepayments		277	-
Plant and machinery	5	149	95
Software		72	-
Current and deferred tax assets		150	-
		2,193	100
Liabilities			
Secured creditors	6	-	(259,900)
Intercompany loans	7	(4,452)	(4,452)
Priority creditors (employees)	8	(84)	(200)
Ordinary unsecured creditors (inc accruals)		(325)	(325)
		(4,861)	(264,877)
Contingent Liabilities			
Bonds/Guarantees	9	-	(270,000)
Surplus / (deficiency)		(2,668)	(534,777)

The above deficiency does not take account of:

- Administrators' or Liquidators' costs. Total Administrators' costs to 31/12/2012 are \$142k.
- 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. Found to be approximately \$0.6m at appointment.
As part of the sale completed 14 June 2012, certain receivables reported by the Company at approximately \$150k were sold for \$69k. This amount was agreed following a review of receivables and the offsetting claims likely to be lodged against the Company. The total of receivable recovered to 31/12/2012 is \$334k.
3. Likely to be unrecoverable; the majority of inventory being on building sites beyond the Administrators' control.
4. Estimated value has not been disclosed to avoid compromising negotiations and realisations.

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5. A portion of plant and machinery was sold for \$68k with the remaining items being sold at auction. Reported recoveries are net of direct realisation costs arising from collection and auction.
6. The Company has entered into a deed of cross guarantee with Hastie Group Ltd pursuant to ASIC Class Order 98/1418.
7. 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.
8. The \$116k increase represents redundancy costs and an adjustment to other entitlements underprovided by the Company.
9. 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	8,241	7,588	6,478	3,090
Expenses: Cost of sales		(6,282)	(4,975)	(4,563)	(2,122)
Gross Profit		1,959	2,613	1,915	968
GM%	2	23.8%	34.4%	29.6%	31.3%
Other operating expenses	3	(2,418)	(2,150)	(1,794)	(1,321)
Other Significant items		-	-	-	(3,165)
EBITDA	A	(459)	463	121	(3,518)
Net Assets	B	608	819	813	(2,668)
Working capital	C	1,736	2,222	1,723	1,220
Current Assets / Current Liabilities	4	0.496	0.507	0.487	0.417
Net cash inflow / (outflow)	D	227	(47)	121	(204)

* 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. The reduction in revenue reflects a reduction in new work 'won' in recent years due to increased competition and other factors. The group was also in the process of exiting the food services industry.
2. High profit margins were common in the food services industries.
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 goodwill impairment of \$3.2m which reduced goodwill to nil.
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.