

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

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**GTS Plumbing (QLD) Pty Limited**  
**(Administrators Appointed) (the 'Company')**  
**ACN 130 035 406**

<b>Status at appointment:</b>	Trading / Dormant / Administrative
<b>Date acquired by Hastie Group:</b>	26 March 2008
<b>Principal activity:</b>	Plumbing and hydraulics for commercial, industrial and large residential projects
<b>Area of operations:</b>	Bulimba, Queensland

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 Company held no tangible assets of material value. Consequently there is no return to creditors from the assets of the Company.

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 Company had already ceased trading in the first quarter of FY12 and as such Administrators' consider the principal reason for the Company's failure is:

- 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 6 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
<b>Assets</b>			
Cash on hand	1	-	-
Trade receivables	2	28	Not disclosed
Plant and machinery	3	54	-
Software		1	-
Goodwill and Intangibles		10,256	-
Current and deferred tax assets		33	-
		<b>10,372</b>	<b>-</b>
<b>Liabilities</b>	4		
Secured creditors	5	(28)	(259,928)
Intercompany loans		1,884	-
Priority creditors (employees)		-	-
Ordinary unsecured creditors (inc accruals)		(7)	(7)
		<b>1,849</b>	<b>(259,935)</b>
<b>Contingent Liabilities</b>			
Bonds/Guarantees	6	-	(270,000)
<b>Surplus / (deficiency)</b>		<b>12,221</b>	<b>(529,935)</b>

The above deficiency does not take account of:

- Administrators' or Liquidators' costs. Total Administrators' costs to 31/12/2012 are \$27k.
- Potential recoveries that are only available to a Liquidator to pursue.

### Administrators' comments

- The Company ceased trading in the first quarter of FY12 though outstanding trade receivables were still being collected.  
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.
- Found to be approximately \$23k at appointment.  
Some receivables have lodged offsetting claims against the Company. Estimated collections have not been disclosed to avoid compromising negotiations and realisations.
- The sale of business program did not yield any acceptable offers. Upon inspection, it was also discovered that the Company did not hold any plant and machinery of any commercial value.
- The Company has entered into a deed of cross guarantee with Hastie Group Ltd pursuant to ASIC Class Order 98/1418.
- 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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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	7,826	15,139	3,695	93
Expenses: Cost of sales		(10,239)	(15,456)	(7,069)	(21)
Gross Profit		(2,413)	(317)	(3,374)	72
GM%	2	-30.8%	-2.1%	-91.3%	77.4%
Other operating expenses	3	(1,095)	(1,149)	(493)	(145)
Other Significant items		-	-	-	-
<b>EBITDA</b>	<b>A</b>	<b>(3,508)</b>	<b>(1,466)</b>	<b>(3,867)</b>	<b>(73)</b>
Net Assets	B	13,163	12,024	12,303	12,221
Working capital	C	(94)	933	117	21
Current Assets / Current Liabilities	4	2.269	1.726	(0.416)	n/a
Net cash inflow / (outflow)	D	242	45	(102)	49

\* Financial results reported above are prior to intra-company consolidation adjustments.

#### Key

- Earnings before interest, depreciation & amortisation and after any significant items.
- Surplus / (deficit) of total assets less total liabilities.
- The sum of trade receivables and inventories (inclusive of WIP) less any trade payables.
- The change in available cash at bank or notional cash over the relevant period.

#### Administrators' comments

- Since the Company's acquisition margins have been strongly negative indicating inadequate pre-contract project risk assessment and poor controls over pricing and project management
- FY12 results reflect the finalisation of remaining projects before cessation of trading.
- 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.