

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

ACN 121 276 168 Pty Ltd (formerly Heyday Group Pty Ltd)
(Administrators Appointed) (the 'Company')

ACN 121 276 168

Status at appointment:	Trading / Dormant / Administrative
Date acquired by Hastie Group:	5 September 2006
Principal activity:	Design, implementation and maintenance services for electrical infrastructure, fire detection/suppression systems, building controls, energy management, security, networking solutions and structured cabling systems. .
Area of operations:	North Ryde, New South Wales Fyshwick, Australian Capital Territory Eagle Farm, Queensland

Creditors should consider the results of our investigations 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	5 - 15 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:

- Poor pre-contract project risk assessment and poor controls over forecasting and project management

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- Reticence of management to report underperformance in the relevant reporting period resulting in inappropriate management decision making
- 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 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	25,618	Not disclosed
Inventory	3	(316)	44
Work in progress	4	(753)	-
Prepayments		44	-
Plant and machinery	5	775	296
Software		121	-
Goodwill and Intangibles		33,913	27
Current and deferred tax assets		3,910	-
		63,312	367
Liabilities	6		
Secured creditors	7	(67)	(259,967)
Intercompany loans		13,677	13,677
Priority creditors (employees)	8	(5,254)	(9,722)
Ordinary unsecured creditors (inc accruals)		(22,220)	(22,220)
		(13,864)	(278,232)
Contingent Liabilities			
Bonds/Guarantees	9	-	(270,000)
Surplus / (deficiency)		49,448	(547,865)

The above deficiency does not take account of:

- Administrators' or Liquidators' costs. Total Administrators' costs to 31/12/2012 are \$608k.
- Potential recoveries which are only available to a Liquidator to pursue.

Administrators' comments

The Administrator's notes regarding the above results are as follows:

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. The quantum of the intercompany loan (\$13.7m) indicates the value of funds drawn

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by Hastie Holdings Pty Ltd to fund operations of the Hastie Group as reflected in the cash outflow in the table below.

2. Receivables were found to be approximately \$22.1m at appointment.
The majority of receivables have lodged offsetting claims against the Company. Total realisations to 31/12/2012 are \$2.2m.
3. Negative due to incomplete accounts. Inventory was found to be held on site at the ACT and NSW sites and was later sold for a total \$42k. Some inventory items were unrecoverable being on building sites beyond the Administrators' control.
4. Billed in advance and as such recoveries are not expected.
5. A portion of plant and machinery was sold for \$85k with the remaining items being sold at auction. Recoveries achieved from these sales were in line with estimates received from valuers. 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 \$4.5m 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	201,301	211,733	270,283	151,221
Expenses: Cost of sales		(171,241)	(184,311)	(243,981)	(145,719)
Gross Profit		30,060	27,422	26,302	5,502
<i>GM%</i>	2	14.9%	13.0%	9.7%	3.6%
Other operating expenses	3	(10,838)	(11,660)	(10,943)	(8,357)
Other Significant items		-	-	-	(898)
EBITDA	A	19,222	15,762	15,359	(3,753)
Net Assets	B	31,693	42,145	52,363	49,448
Working capital	C	(8,392)	(5,226)	(1,460)	2,329
<i>Current Assets / Current Liabilities</i>	4	0.860	1.117	1.264	1.535
Net cash inflow / (outflow)	D	6,174	6,595	(8,855)	(2,336)

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

Key

- A. Earnings before interest, depreciation & amortisation, 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. History of generating sound profits.
2. The reduction in revenue in FY12 reflects a reduction in new work won due to increased competition and other factors.

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3. Gross margins have steadily declined since 2009 reflecting both the increased competition in the construction industry and the inadequate project management protocols at the Company.

Significant write-offs were reported in FY2012 following poor forecasting on numerous projects. Management have advised that write-offs were regularly not brought to account when they were identified through the year.
4. Operating costs appear to be better controlled than at other Hastie Group entities with majority of the administration function being managed directly by Hastie Holdings Pty Ltd. The Company also maintained its own finance function, the costs for which are incorporated in 'Other operating expenses'.
5. A 'Working Capital' ratio 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.