Hastie Group Limited

ACN 112 803 040

Annual financial report for the year ended 30 June 2011

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Corporate governance summary

CORPORATE GOVERNANCE STATEMENT

Hastie Group's Directors and management are committed to conducting the company's business in an ethical manner and in accordance with the highest standards of corporate governance.

This statement outlines Hastie Group's commitment to the ASX Corporate Governance Council's Principles and Recommendations 2nd Edition.

The Board believes that Hastie Group complies with the Corporate Governance Council's "Corporate Governance Principles and Recommendations".

RISK MANAGEMENT

The Hastie Group is committed to the effective management of risk. This commitment is demonstrated through the establishment and implementation of the Hastie Group's Risk Management Policy and Risk Management Framework. In addition, the Audit and Risk Management Committee ensures the Board fulfils its corporate governance and oversight responsibilities relating to:

- the quality and reliability of financial management and reporting;
- ethical compliance;
- risk management and internal control systems; and
- external reporting.

These responsibilities include:

- promoting a culture of risk control and minimisation;
- identification of existing and potential risks;
- monitoring and reviewing the Group's policies regarding risk management;
- ensuring risk management processes are documented and compliant with Group policies;
- reviewing and improving the Group's financial and audit programs;
- reviewing the outcomes of these independent audits; and
- monitoring and reviewing the appropriateness of the internal control systems adopted by the Group and operating businesses.

Risk Profile, and assessment of effectiveness

In accordance with the Risk Management Framework, the Hastie Group's risk management systems promote the need for informed and measured decision making on risk issues firmly embedded in operational reviews and processes. At the operational level, risk is recognised, assessed, monitored and managed through a combination of delegations of authority, project review and project delivery. Based on a systematic approach, the process ensures risk control systems are implemented appropriately and effectively to mitigate the risk throughout all Group operations. To support internal resources, the Group periodically undertakes a formal, externally facilitated, review and update of the Group's risk profile in accordance with ISO 31000. This review assists the Group in the identification, analysis, control, monitoring and management of risks within the Group and its operating businesses.

Integrity of financial statements

The Group Managing Director and CEO and Finance Director have stated in writing to the Board, at the time the financial statements were being considered for approval by the Board, that the financial statements present a true and fair position, and that this assertion is founded on a sound system of financial risk management and internal control in accordance with the policies adopted by the Board.

To the best of their knowledge, the Hastie Group's financial risk management and control systems are compliant with relevant Hastie Group policies and procedures and are operating efficiently and effectively in all material respects.

A table comparing the list of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations together with a summary of how Hastie Group complies with these recommendations will be included in the 2011 Annual Report.

The various charters and policies are all available on the Hastie Group website:
http://www.hastiegroup.com.au

Directors' Report

The Board of Directors encourages full participation by shareholders at its AGM to ensure accountability and transparency. The external auditor attends the AGM to answer shareholder questions about the auditor's report.

The Directors of Hastie Group Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001 (Cth), the directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

Directors

Trevor Bourne B.Sc. (Mech Eng), MBA, FAICD
Chairman, Non-Executive, Independent

Trevor was appointed chairman of Hastie Holdings Pty Ltd ("Hastie Holdings") in November 2004, and subsequently Hastie Group Limited upon its incorporation on 4 February 2005, following a long career with some of Australia's foremost industrial companies.

From 1999 to 2003, Trevor served as the CEO of Tenix Industries. Prior to this, he spent 15 years at Brambles Industries, including 6 years as CEO of Brambles Australia and held a number of other directorships on various Brambles subsidiaries and joint ventures.

Trevor is chair of Hastie Group's Nomination Committee and is a member of the Audit and Risk Management and Remuneration Committees.

Other Listed Company Directorships in the previous 3 years:

Origin Energy Limited	February 2000 to present
Caltex Australia Limited	March 2006 to present

David Harris B.Sc. (Chem Eng), MBA, MAICD
Group Managing Director and Chief Executive Officer, Executive

David was appointed Group Managing Director and Chief Executive Officer in June 2007. David is also Chairman of the Hastie European Advisory Board and the Hastie Middle East and International Markets Management Board. David brings with him over 20 years experience in senior leadership roles with large multinational organisations, successfully growing these across the UK, Asia Pacific and the US.

David was previously chief executive of United Group's Services Division. Prior to this he held several senior management roles with Inchcape plc both in the UK and in Asia and Millicom International Cellular in Asia and earlier was a consultant in McKinsey's London industrial practice for six years. He has both operational and strategy development skills and has had extensive experience in managing decentralised organisations across multiple geographies. He has also been involved in acquiring and integrating companies in Australia and overseas.

David tendered his resignation from Hastie Group on 19 August 2011, which will take effect from 30 November 2011.

Phillip Anderson CPA, FCIS, MAICD
Director, Non-Executive, Independent

Phillip was appointed a director of Hastie Holdings in December 2004, and subsequently Hastie Group Limited upon its incorporation on 4 February 2005, following a long career with a range of large Australian industrial and property companies.

Phillip was a senior executive with the Lend Lease Group until 2004 and held roles such as finance director of Civil and Civic Pty Ltd and Lend Lease Property Group, and CEO of Lend Lease Development Pty Ltd. Prior to Lend Lease, Phillip spent 15 years with Hooker Corporation in varying roles including deputy CEO for LJ Hooker Ltd and Hooker Housing Group.

Phillip is chair of Hastie Group's Audit and Risk Management Committee and is a member of the Nomination Committee.

Other Company Directorships in the previous 3 years:

Aevum Limited	May 2007 to November 2010
Sakkara Holdings Pty Limited	May 2006 to present (currently Chairman)
Penrith Lakes Development Corporation Limited	September 2006 to present (currently Chairman)
Isis Group Holdings Pty Limited	January 2004 to present (currently Chairman)
Espreon Limited	July 2004 to November 2009
AMP Capital Office & Industrial Pty Limited	September 2010 to present

Harry Boon LLB (Hons), B.Com.
Director, Non-Executive, Independent

Harry was appointed a director of Hastie Holdings in December 2004, and subsequently Hastie Group Limited upon its incorporation on 4 February 2005, and brings to the role his experience as a senior executive in one of Australia's leading listed companies.

Harry's executive career culminated with the position of CEO of Ansell Limited from April 2002 to June 2004, having previously been president, chief executive officer and managing director of Ansell Healthcare since February 1989.

Harry is chair of Hastie Group's Remuneration Committee and is also a member of the Audit and Risk Management and Nomination Committees.

Other Listed Company Directorships in the previous 3 years:

Tatts Group Limited	May 2005 to present (currently Chairman)
Toll Holdings Limited	November 2006 to present
PaperlinX Limited	May 2008 to present
Gale Pacific Limited	August 2005 to November 2009

John Gaskell B.Sc. (Hons) (Elec Eng), C Eng. FIET
Director, Non-Executive, Independent

John was appointed to the Board of Hastie Group Limited in August 2008. He was formerly Chief Executive Officer of ABB Australia Pty Ltd, responsible for ABB's operations in Australia and New Zealand. He has had a long career in Managing Director roles with ABB and its predecessor companies, with Rolls-Royce and with Kennedy and Donkin across Europe, the Middle East, North America and Asia. John was a member of the Business Council of Australia's working group on business reform and he was a NSW Councillor of the Australian Industry Group. He was also a member of the Great Barrier Reef Foundation's Chairman's panel. John is Director of the Electrical and Information Engineering Foundation of the University of Sydney and is a Governor of the Warren Centre for advanced Engineering, also at the University of Sydney. John is a member of the Remuneration and Nomination Committees.

Other Company Directorships in the previous 3 years:

ABB Australia Pty Ltd	February 2002 to May 2010
ABB Group Holdings Limited	February 2002 to May 2010
ABB Group Investment Management Limited	February 2002 to May 2010

David Martin
Director, Non-Executive

David started his career in the air conditioning industry in 1957 with Bernard Hastie & Co Ltd in the UK, progressing to London manager before arriving in Australia to found Hastie Australia Pty Limited ("Hastie Australia") in 1970.

David was formerly the executive chairman of Hastie Holdings, the executive chairman of Hastie Australia and a non-executive director of various other Hastie Group companies.

David resigned from all executive positions held with Hastie Group on 1 August 2004 and was appointed a non-executive director of Hastie Group Limited upon its incorporation on 4 February 2005. David has provided consultancy services to Hastie Group, assisting Hastie Group's senior management with general mentoring and industry advice. This consultancy arrangement terminated on 30 June 2008.

David is a member of the Remuneration and Nomination Committees.

Lindsay Phillips B.Com., CA.
Director, Non-Executive

Lindsay was appointed a director of Hastie Group Limited on 4 August 2011. Lindsay is Managing Director of Lazard Australia Private Equity Pty Ltd which he has managed (with John Wylie and Mark Carnegie) since 2007. Lindsay has been involved in private equity for over 20 years, commencing in 1987 with MJH Nightingale & Co. Limited in London and subsequently Australia from 1995. Prior to this, Lindsay was a Chartered Accountant with PricewaterhouseCoopers for 7 years in Perth, Sydney and London.

Lindsay is Chairman of ASX listed company, Flat Glass Industries Limited, and is a board member of many of the companies in which funds managed by Lazard Australia Private Equity have invested, including Hastie Group.

Lindsay is a member of the Audit and Risk Management Committee and the Nomination Committees.

Other Company Directorships in the previous 3 years:

Flat Glass Industries Limited	December 2003 to present
Provet Holdings Limited	October 2009 to August 2010
Datasquirt Limited	April 2006 to December 2008

Chris Woodward MBA (Aston), FCIMA, MAICD
Finance Director

Chris joined Hastie Group in April 2004 in the role of chief financial officer following a long career in management and finance roles with ALSTOM, one of the world's largest operators in the transport, power and marine sectors.

Over his 23 years with ALSTOM, Chris served in a number of general management and senior finance roles in Europe, Asia, and, most recently, Australia. His previous role was country finance director, ALSTOM Australia and New Zealand.

He is also responsible for Hastie Group IT. Chris was appointed to the Board of Hastie Group Limited as finance director in June 2007. He is also a member of the European Advisory Board.

Company Secretary

Anne Griegg LLB (Hons), ACIS, B.Econ.
General Counsel & Company Secretary

Anne joined Hastie Group in February 2007 as General Counsel & Company Secretary.

Anne has substantial experience as a corporate lawyer having worked over 20 years at companies including Transurban Limited, Bluescope Steel Limited, Coles Myer Limited and a number of law firms.

Anne also brings corporate secretarial and governance skills to Hastie Group.

PRINCIPAL ACTIVITIES

Hastie Group Limited is a leading international designer, installer and maintainer of technical services - mechanical, electrical, commercial plumbing, fire and refrigeration - to the building and infrastructure sectors. The Group has well established operations in Australia and New Zealand, the UK and the Middle East, with around 8,000 employees based at multiple locations. The group operates under brands which are well recognised in their markets, and customers include many of the largest construction companies, shopping centre groups, industrial corporations and facility managers. Hastie Group Limited is a member of the S&P/ASX300 Index.

REVIEW OF OPERATIONS

The group incurred a net loss before tax of $94.2 million in the current year, compared to a net profit before tax of $51.9 million for the prior corresponding period, being the year ended 30 June 2010.

The loss after tax was $87.8 million compared to a net profit after tax of $39.8 million in the prior corresponding period (after deduction of minority interests).

The trading results for Hastie for the year were adversely impacted by:

- depressed market demand, coupled with legacy contracts negotiated during the GFC, contributed to downward pressure on margins;
- project delays;
- adverse weather conditions and natural disasters – a mild summer in Australia adversely impacting air conditioning service volumes, floods in Australia and the earthquake in Christchurch, New Zealand;
- losses in Hastie's plumbing businesses, in particular in Queensland (where the two businesses have now been integrated);
- continuing low discretionary maintenance spending;
- low capital investment in supermarket refrigeration systems; and
- working capital increased significantly during the year as creditors tightened their trading terms and customers under certified works completed, resulting in an increase in work in progress, during the bank standstill agreement period.

In addition uncertainty with respect to Hastie's protracted ASX trading halt and voluntary suspension, from 16 February 2011 through to 12 April 2011, and financial position adversely impacted Hastie's operations in the second half of the year. In particular, during the standstill period, which commenced on 8 April 2011; where delays in issuing project bonds for new projects and trade letters of credit in the Middle East led to delays in commencing new projects and delayed site progress on existing projects leading to a delay in sales and also profit recognition.

Furthermore the profit for the year was also adversely impacted by:

- $33.5 million of significant doubtful debt provisions (an impact on after tax profits of $32.2 million), $69.1 million of goodwill impairment (mainly in respect of the international operations of our Rotary business, in particular in the Middle East), $1.3 million write-down in the Rotary brand value (again in the Middle East) and $2.3 million of standstill costs (representing costs of advisors appointed by Hastie's Banking Group during the standstill period, paid by the Company); and
- significant refinancing costs, bank fees, related legal costs (relating to the standstill period and subsequent refinancing of Hastie's debt and binding facilities).

For a comprehensive review of the company's operational performance, refer to the Chairman and Group Managing Director and CEO's report which is summarised in the company's Annual Report.

FINANCIAL POSITION

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Hastie incurred a net loss from continuing operations after tax of $87.8 million for the year ended 30 June 2011. However, as of that date, the consolidated entity's current assets exceeded its current liabilities by $150.2 million.

Pursuant to the terms of its bilateral financing facilities detailed in notes 13 and 14, Hastie was required to comply with certain banking covenants which are assessed at the end of each quarter. While Hastie was in compliance with these covenants for the quarter ended 31 December 2010, ongoing challenging market conditions resulted in Hastie being at risk of breaching certain of its banking covenants subsequent to 31 December 2010. In the event of such a covenant breach, each financier would have had the right to demand or accelerate repayment of amounts owed to them.

As a result of the above situation, Hastie's Banking Group committed to support Hastie to continue trading as a going concern. As a consequence, on 8 April 2011 Hastie entered into:

- a Standstill Deed; and
- a new syndicated Funding Agreement

with its Banking Group comprising: ANZ Banking Group Limited, ANZ National Bank, Bank of Scotland International, Commonwealth Bank of Australia, HSBC Australia, HSBC Middle East, National Australia Bank, Ulster Bank and Westpac Banking Corporation.

The key features of these agreements included that during the standstill period, and subject to Hastie meeting certain conditions and financial and other performance targets:

(a) ongoing funding, bonding and working capital facilities would be provided on a syndicated basis to support business requirements;
(b) covenant calculations would not be undertaken during the standstill period, including as at 30 June 20ll; and
(c) the Banking Group would not demand or accelerate repayment of any amounts under Hastie's bilateral facilities, or take any enforcement action by reason of any breach of the financial covenants in each bilateral facility.

The standstill period was due to end on 1 August 2011 unless extended by agreement with each bank.

Following the conclusion of this process:

(a) on 8 June 2011, Hastie signed new syndicated debt facilities with its Banking Group, including:

  - a $146 million term debt facility;
  - a revolving credit facility of $113.9 million, expected to be initially drawn to c.$50 million; and
  - committed project bonding and letter of credit facilities of $300 million,

  where all facilities have a staggered maturity profile, with two thirds of the committed amounts maturing on 31 July 2013, and the balance on 31 July 2014. The first draw down on these new syndicated debt facilities was subject to Hastie satisfying a number of conditions, including repaying a minimum of $102 million of its existing debt facilities.

(b) on 14th June 2011 Hastie announced that it would raise approximately $160 million by way of:

- $7.2 million through an initial share placement to funds managed by Lazard Australia Private Equity Pty Ltd;
- $110 million through a 2.85 for 1 fully underwritten accelerated renounceable entitlement offer; and
- $42.8 million through a fully underwritten conditional placement to institutional investors, subject to shareholder approval at an Extraordinary General meeting of Hastie Group to be held on 22 July 2011.

Hastie intended to apply the net proceeds received from the initial share placement and upon settlement of its accelerated renounceable entitlement offer to repay at least $102 million of existing debt facilities and thereby bring the new syndicated debt facilities in to force.

At 30 June 2011:

- the initial share placement and the institutional component of the accelerated renounceable entitlement offer had been completed raising $43.5 million ($40.0 million net of equity raising fees and costs);
- following receipt of the funds from the initial share placement, on 17 June 2011 and the institutional component of the accelerated renounceable entitlement offer, on 27 June 2011, Hastie repaid $25.0 million to its Banking Group;
- the retail element of the entitlement offer had been fully underwritten, but not completed, totalling $73.7 million; and
- the conditional placement had also been conducted, totalling $42.8 million, but where completion remained subject to shareholder approval.

Since 30 June 2011:

- on 18 July 2011 Hastie announced the successful completion of the retail component of its fully underwritten 2.85 for 1 accelerated renounceable entitlement offer, raising $73.7 million; which represented the completion of the final stage of the entitlement offer announced on 14 June 2011;
- following receipt of the funds from the retail component of the entitlement offer, on 19 July 2011, Hastie repaid a further $81.1 million to its Banking Group ($106.1 million in aggregate, including $25.0 million repaid in June 2011 out of the proceeds of the institutional component of the entitlement offer) thereby bringing the new syndicated debt facilities in to force. Drawings under these new facilities were then used to repay all previous bilateral debt facilities and all bonds and trade letters of credit issued under bilateral or syndicated standstill facilities were novated to the new syndicated debt facilities; following which the previous bilateral facilities and the syndicated standstill funding agreement, signed on 8 April 2011, were cancelled. From 18 July 2011 Hastie was no longer subject to the terms of the standstill deed entered in to on 8 April 2011 and it's relations with its Banking Group are now solely governed by the terms of the new syndicated debt facilities signed on 8 June 2011;
- on 22 July 2011 at Hastie's Extraordinary General Meeting shareholders voted in favour of the conditional placement totalling $42.8 million, where the funds, net of equity raising fees and costs, were received on 26 July 2011 and used to further pay down debt; this represented the completion of the final stage of Hastie's $160 million equity raising; and
- on 11 August 2011 an offer to participate in the Hastie Group Share Purchase Plan was dispatched to existing Australian and New Zealand shareholders on the register as at 7pm (Sydney time) on 5 August 2011 inviting each of them to participate up to a maximum amount of $15,000 based on a share price of $0.14 per share. The offer will close at 5pm (Sydney time) on 1 September 2011 with shares allotted on 12 September 2011.

The Directors consider that there are reasonable grounds to believe that Hastie will be able to pay its debts as and when they become due and payable. In forming this view, the Directors have given consideration to the following matters:

(i) the successful $160 million equity raising noted above;
(ii) The new syndicated banking facilities which came in to force on 18 July 2011, noted above;
(iii) Hastie continues to trade profitably (excluding the impact of non cash significant items: doubtful debt provisions and goodwill impairment); and
(iv) Hastie's profit forecast and cash requirements through to the end of September 2012.

CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

FUTURE DEVELOPMENTS

As permitted by the *Corporations Act 2001 (Cth),* information which may be unreasonably prejudicial, regarding likely future developments in and the expected results of the operations of the Group or its strategies and prospects has been omitted.

ENVIRONMENTAL REGULATIONS

There were no known breaches of environmental laws, regulations or permits during the period. The consolidated entity is subject to a range of environmental regulations in respect of the manufacturing, installation and services activities.

DIVIDENDS

In respect of the financial year ended 30 June 2010, a final dividend of 4 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on the record date of 3 September 2010 and paid on 18 October 2010.

In respect of the financial year ended 30 June 2011, no interim dividend or final dividend was declared.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial period ended 30 June 2011, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001(Cth).* The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial period, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of Committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or Committee member). During the financial year, 43 Board meetings (33 more meetings than scheduled at the beginning of the year), 3 Remuneration Committee meetings, 5 Audit and Risk Management Committee meetings and 1 Nomination Committee meeting were held.

	Board of Directors		**Remuneration Committee**		**Audit and Risk Management Committee**		**Nomination Committee**	
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Mr Trevor Bourne	43	42	3	3	5	5	1	1
Mr David Harris	43	42	–	–	–	–	–	–
Mr David Martin	43	40	3	3	–	–	1	1
Mr Harry Boon	43	31	3	3	5	5	1	1
Mr Phillip Anderson	43	36	–	–	5	5	1	1
Mr John Gaskell	43	39	3	3	–	–	1	1
Mr Lindsay Phillips[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mr Chris Woodward	43	40	–	–	–	–	–	–

[1] Mr Lindsay Phillips was not a Director during the financial year ending 30 June 2011 and was appointed to the Board on 4 August 2011.

DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares and performance rights of the company, as at the date of this report.

Directors	Shares	Performance Rights
Mr Trevor Bourne	677,639	–
Mr David Harris	575,143	559,554
Mr David Martin	6,007,525	–
Mr Harry Boon	1,075,976	–
Mr Phillip Anderson	155,094	–
Mr John Gaskell	192,500	–
Mr Lindsay Phillips	–	–
Mr Chris Woodward	395,019	229,075

NON-AUDIT SERVICES

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001 (Cth).*

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 36 to the financial statements.

The directors are of the opinion that the services as disclosed in note 36 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 21 of the financial report.

ROUNDING OFF OF AMOUNTS

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Audited Remuneration Report

INTRODUCTION

The directors of Hastie Group Limited present the Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 for Hastie Group Limited and the consolidated entity for the financial year ended 30 June 2011.

The Remuneration Report forms part of the Directors' Report.

REMUNERATION POLICY – NON-EXECUTIVE DIRECTORS

The remuneration policy of the company is to attract and retain competent and suitably qualified non-executive directors. Non-executive director remuneration is set by the company's Board based on recommendations made by the Remuneration Committee. The Remuneration Committee's recommendations are determined by comparison with the market, based on independent external advice with regard to market practice, relativities, and director duties and accountability. Details of non-executive director remuneration for the year ended 30 June 2011 can be found on page 16. All non-executive directors held their position for the full financial year.

FEE POOL

Non-executive directors' fees are determined within an annual aggregate directors' fee pool limit, which is periodically approved by shareholders. At the date of this report the pool limit is set at $700,000. During the year ended 30 June 2011, $644,000 of the fee pool (92%) was utilised.

FEES

Non-executive directors receive a fixed fee which is not linked to the performance of the company so as to maintain independence and impartiality.

For the financial years ended 30 June 2011 and 30 June 2012, non-executive directors' fees comprised and will comprise:

- a base fee of $90,000 per annum for non-executive directors (other than the Chairman)
- an all-inclusive fee of $220,000 per annum for the Chairman which includes his attendance at all Committee meetings
- a chair fee of $20,000 per annum payable to the chairs of the Audit and Risk Management Committee and the Remuneration Committee
- a member fee of $8,000 per annum payable to the members of those Committees (other than the Board Chairman)

No other fees were paid to non-executive directors.

EQUITY PARTICIPATION

Non-executive directors have no entitlement to options or performance rights. No options or performance rights were issued to non-executive directors during the financial year ended 30 June 2011 and none are held by any non-executive director at the date of this report.

Directors are encouraged to purchase shares, either on-market or through the Deferred Share Plan. Under the terms of the Deferred Share Plan, non-executive director fees may be sacrificed for shares purchased or issued at market price. For the financial year ended 30 June 2011, there was no minimum share purchase requirement for non-executive directors.

RETIRING ALLOWANCE

No retiring allowances are paid to non-executive directors.

SUPERANNUATION

Where required, the company has complied with the obligation to pay the minimum superannuation guarantee support for directors in respect of director fees. Messrs Martin and Anderson invoice the company for services provided and as such no superannuation payment is required to be made to these directors. Messrs Bourne, Boon and Gaskell receive superannuation payments from the company. Where the company pays superannuation guarantee support, it is included in the fees above, and is not an additional payment.

BOARD PERFORMANCE

Board performance was evaluated based on input from individual Board members and the executive management team in an open and constructive manner in July 2011. At the same time, a review of the performance of individual directors who are standing for re-election at the 2011 Annual General Meeting was undertaken. Board performance will continue to be reviewed on a regular basis.

COMPANY PERFORMANCE

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2011:

	30 June 2007 $'000	30 June 2008 $'000	30 June 2009 $'000	30 June 2010 $'000	30 June 2011 $'000
Revenue	778,633	1,270,672	1,781,049	1,651,081	1,848,843
Net (loss)/profit before tax	31,431	47,086	68,888	51,909	(94,170)
Net (loss)/profit after tax	22,531	38,388	58,698	40,578	(87,826)

	30 June 2007	30 June 2008	30 June 2009	30 June 2010	30 June 2011
Share price at start of year $ per share	1.45	3.41	2.78	1.27	1.38
Share price at end of year $ per share	3.41	2.78	1.27	1.38	0.14
Interim dividend cents per share[1]	5.5	7.0	7.0	5.0	-
Final dividend cents per share[1, 2]	6.0	9.0	5.0	4.0	-
Basic earnings per share[3]	17.5	26.1	30.9	16.1	(34.6)
Diluted earnings per share[3]	17.0	25.5	30.5	15.8	(34.6)

[1] Franked to 100% at 30% corporate income tax rate.
[2] Declared in respect of the period but after the balance date so reflected as a payment in the financial statements of the following year.
[3] Adjusted to reflect the Initial Placement to the Cornerstone Investor on 17 June 2011 and the Institutional Entitlement Offer on 28 June 2011.

REMUNERATION POLICY – SENIOR EXECUTIVES

Throughout this Remuneration Report, **Senior Executives** refers to:

- the 5 most highly remunerated company/Group executives (excluding executive directors); and
- all other executives (including executive directors but excluding non-executive directors) who fall within the definition of Key Management Personnel of the Group (being those persons with authority and responsibility for planning, directing and controlling the activities of the Group).

The remuneration policy of the company is designed to attract, retain, develop and motivate appropriately qualified and experienced Senior Executives. It is also set to reward Senior Executives for increasing shareholder value and for achieving financial targets and business strategies. Hastie Group's remuneration policy is reviewed on a regular basis using independent external remuneration consultants, and is set by the Board upon recommendations from the Remuneration Committee.

The remuneration policy is intended to be consistent with Principle 8 in the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (2nd Edition) which requires that the company remunerate fairly and responsibly. Broadly, the policy is intended to ensure, for each role, that:

- the balance between fixed and at risk or performance related components (comprising both short and long term incentives) is appropriate having regard to all relevant factors;
- individual objectives set will lead to beneficial outcomes for both Hastie Group and the individual;
- all performance based remuneration components are appropriately linked to measurable personal, Divisional or Hastie Group performances; and
- total compensation (that is the sum of fixed and at risk components) for each executive is fair, reasonable and market competitive.

COMPONENTS OF SENIOR EXECUTIVE REMUNERATION

Generally, the three components of Senior Executive remuneration are: **fixed annual remuneration** comprising salary and benefits, including superannuation; **short-term performance incentives** in the form of a cash bonus payable if performance objectives are met; and **long-term equity incentives**, generally through participation in the company's Performance Rights Plan. The combination of these three components comprises a Senior Executive's total remuneration.

The short term incentive bonus and the long term incentive plan together represent remuneration which is at risk as it is performance based. For the financial year ended 30 June 2011, the table below shows that, generally, up to 47% of Senior Executives' total maximum remuneration is at risk and up to 54% of the total maximum remuneration of the Group Managing Director & CEO and Finance Director is at risk.

Senior Executives - Proportion of fixed and at-risk remuneration – FY2010 and FY2011

		% of Total Potential Maximum Remuneration[1]		
		Fixed	'At risk' - performance-based	
		FR	STI	LTI
Mr David Harris Group MD & CEO	2011	46	27	27
	2010	46	27	27
Mr Chris Woodward Finance Director	2011	53	26	21
	2010	53	26	21
Mr David Hammond CEO Electrical Division	2011	53	26	21
	2010	53	26	21
Mr Joseph Farrugia CEO Services Division	2011	53	26	21
	2010	53	26	21
Mr Ian McGregor[2] CEO Middle East Division	2011	73	27	-
	2010	-	-	-
Mr Phill Laidlaw CEO UK Operations	2011	53	26	21
	2010	62	19	19
Mr Jerry Collins CEO Republic of Ireland and International Operations	2011	69	17	14
	2010	69	17	14

[1] These amounts are based on 'maximum' performance being achieved as set out in contracts of employment.
[2] Mr Ian McGregor's role changed due to a restructure of Hastie Group's Middle East operation. With effect from 16 September 2010 he reports directly to the Group Managing Director & CEO as CEO of the Middle East Division.

INDEPENDENT REMUNERATION ADVICE

During the financial year ended 30 June 2011, Guerdon Associates Pty Ltd was retained directly by the Remuneration Committee to provide independent remuneration advice and data on Senior Executive remuneration. They were paid $23,027 for their services to the Remuneration Committee. Guerdon Associates were also paid a total of $57,867 for remuneration advice to Divisional CEO's. Guerdon Associates Pty Ltd does not provide any services other than remuneration advice to the company.

FIXED ANNUAL REMUNERATION

Senior Executives' remuneration is benchmarked against the market median for similar roles in similarly sized companies. Remuneration is reviewed on a regular basis, generally effective 1 January each year. Adjustments to remuneration including base salary may be made based on promotion or significant role responsibility changes, pay relativities to market and relative performance in the role.

SHORT TERM INCENTIVES

Short Term Incentives (STI) in the form of cash bonuses are paid to Senior Executives based upon Key Performance Indicators (KPI's) which are agreed with each Senior Executive at the beginning of the period and measured against agreed targets which determine the value, if any, of cash bonuses paid. The STI targets and KPI measures have been chosen to ensure a strong link between executive reward and company performance, and are directly linked to the strategic direction of the company. The STI program is designed to put a significant proportion of Senior Executive remuneration at risk against meeting financial and non-financial targets linked to the company's business objectives. The Board approves the STI targets and KPI measures for all Senior Executives.

1. Financial Performance Targets

   Financial measures for Senior Executives are generally weighted at 60% to 70% of the overall STI target. Financial performance targets are set at both threshold and stretch levels. The threshold level is set at an acceptable minimum outcome for each budgeted goal with the stretch target set at a level regarded by the Board as an outstanding yet realistic achievement. The key financial measures for the Group MD & CEO and Finance Director were earnings before interest and tax (EBIT), earnings per share (EPS) and working capital management. For the other Senior Executives, EBIT, working capital management and order backlog were the key financial measures.

   For the 2011/12 financial year, the percentage weighting of the financial performance targets will increase to 80% of the overall STI target, with an increased weighting towards cash generation from operations and working capital reduction.

2. OH&S Performance Targets

   OH&S objectives and targets are set for each Senior Executive across the Group, with a STI weighting of 10%. Key to these is the expectation of further reducing injuries to our people, while at the same time fostering a safety culture that will ensure workplace risk faced by our employees is appropriately controlled. For the year ended 30 June 2011, development of measurable lead indicators to further assist in reducing workplace injury was a priority.

   For the 2011/12 financial year, OH&S objectives will continue to constitute 10% of overall STI measures.

3. Other Targets

   Targets specific to individual businesses and individuals are also set and weighted around 10% of STI. These include:

   - succession planning, management development and performance management
   - research and development culminating in alternative energy efficient technologies

   The Group Managing Director & CEO assesses the performance of Senior Executives against STI targets at the end of each financial year and confers with the Chairman, the Remuneration Committee and the Board regarding his recommendations. The Chairman, in consultation with the Remuneration Committee and the Board, determines the Group Managing Director & CEO's and Finance Director's targets at the beginning of each financial year and assesses performance against those targets at the end of each financial year.

Relationship between the remuneration policy and company performance

The relationship between Hastie Group's remuneration policy and the company's performance is indicated in the table below, which sets out the percentage of the STI paid and forfeited for each of the Senior Executives in respect of the financial years ended 30 June 2010 and 2011.

Short Term Incentive payments FY2010 and FY2011

	FY2010[1]		FY2011[2]	
	Paid %	Forfeited %	Paid %	Forfeited %
Mr David Harris Group MD & CEO	49	51	-	100
Mr Chris Woodward Finance Director	60	40	-	100
Mr David Hammond CEO Electrical Division	56	44	33	67
Mr Joseph Farrugia CEO Services Division	37	63	43	57
Mr Ian McGregor[3] CEO Middle East Division	-	-	36	64
Mr Phill Laidlaw CEO UK Operations	95	5	48	52
Mr Jerry Collins CEO Republic of Ireland and International Operations	38	62	35	65

[1] In respect of the 2010 financial year and to be paid in the 2011 financial year.
[2] In respect of the 2011 financial year and payable in the 2012 financial year and on the basis that reported EBIT was used for measuring performance against STI objectives.
[3] Mr Ian McGregor joined the Senior Executive team on 16 September 2010 and his STI is only shown for the financial year ended 30 June 2011.

LONG TERM INCENTIVES

The purpose of the long-term incentive (LTI) plan is to align the performance of Senior Executives to the achievement of sustainable long term shareholder value. Providing executives with the opportunity to earn equity in Hastie Group through the LTI plan fosters retention and builds ownership by the senior team.

All Senior Executives named in this report are eligible to receive performance rights under the LTI plan as they have been identified as being able to directly impact the company's performance. Each performance right is an entitlement to one fully paid ordinary share in the company for nil consideration subject to achievement of vesting conditions (including service and performance) over 4 financial years, with 1/3 of the performance rights vesting at the end of the 2nd financial year following award, 1/3 at the end of the 3rd financial year and the remaining 1/3 at the end of the 4th financial year. The first performance period commences from the end of the financial year immediately preceding the date of grant. The value of the performance rights at the date of grant for the previous two financial years is shown in the table on page 19. Performance rights are offered at no cost to executives and carry no voting or dividend rights. Participating executives, however, do not receive any value from their grants unless and until vesting conditions are met. If vesting conditions are met, the ordinary shares issued carry usual voting and dividend rights.

While the Board is of the view that regular allocations will focus executives on the achievement of long-term performance and reinforce the importance of maintaining and increasing shareholder value, Hastie Group's financial circumstances during the financial year ended 30 June 2011 were such that there were no new performance rights issued during the financial year ended 30 June 2011.

DEALING WITH PERFORMANCE RIGHTS

Performance rights granted subject to a vesting condition must not be transferred, encumbered or otherwise dealt with until the earlier of 10 business days after the date on which the Board determines the extent (if any) to which the condition has been satisfied or 4 months after the end of the applicable measurement period.

EXERCISE OF RIGHTS FOLLOWING DEATH OR OTHER CESSATION OF EMPLOYMENT

All unvested rights become exercisable following the death or permanent incapacity of a participant, whether or not the applicable performance conditions have been satisfied at the date of death or cessation of employment.

If a participant's employment by a Hastie Group company is terminated for cause or a participant resigns as a Hastie Group employee before the end of the applicable measurement period, their rights will generally lapse. If a participant resigns as a Hastie Group employee after the last day of the applicable measurement period but before the rights have vested, then subject to satisfaction of the applicable performance conditions, their rights may be exercised.

If a participant ceases to be employed by a Hastie Group company because of redundancy or permanent retirement before the last 6 months of the applicable measurement period, their rights will generally lapse. Where a participant ceases to be employed by a Hastie Group company because of redundancy or permanent retirement within the last 6 months of the applicable measurement period, then, subject to satisfaction of the applicable performance conditions, their rights may be exercised.

RETESTING AND CHANGE IN CONTROL

No Performance Rights were granted during the financial year ended 30 June 2011.

For performance rights granted during the financial year ended 30 June 2010, the performance hurdles (equally weighted) were Total Shareholder Return (TSR) and Relevant Earnings per Share (Relevant EPS).

Total Shareholder Return (TSR) measures the return a shareholder obtains from the company's shares in the defined period and takes into account the changes in the market value of the company's shares as well as the dividends paid on the shares (adjusted for any rights or bonus issues and capital reconstructions). This performance measure compares the company's TSR over the performance period to the TSR performance of other companies in the S & P ASX Small Ordinaries Accumulation Index.

Earnings Per Share (EPS) measures the growth in earnings per share over the specified measurement period. The Board believes TSR and EPS growth were appropriate measures because they ensure that a proportion of each executive's remuneration is linked to company profits and shareholder value and those executives only benefit when there is a corresponding benefit to shareholders.

Performance rights granted during the financial year ended 30 June 2010 which do not vest will lapse.

For those performance rights granted in November 2007 and tested during the financial year ended 30 June 2011

(a) 10% compound EPS growth was not achieved, and these rights have lapsed;
(b) the required degree of TSR performance against the ASX Small Ordinaries index was not achieved, and these rights have lapsed.

DEALING IN COMPANY SECURITIES

In respect of performance rights and unvested shares held in the company's Deferred Share Plan, Hastie Group's Dealing in Securities Policy prohibits Directors, Senior Management and other employees from entering into any arrangement which would have the effect of eliminating, reducing or transferring to any other person the risk of any fluctuation in their value. These sorts of arrangements are commonly referred to as hedging. Examples of hedging arrangements are put and call options, warrants, and cap and collar transactions. Under the policy, vested securities may be hedged, provided the company is notified in advance of the arrangement being entered into coupled with post hedging confirmation.

Directors are also required to notify the company promptly if they or their related parties individually put in place any margin borrowing arrangements which, together with any of their previous arrangements, apply to more than 2% of Hastie's share capital.

DETAILS OF REMUNERATION

The directors and other members of Key Management Personnel of the company and the Group during the year were:

Mr Trevor Bourne	Chairman (non-executive)
Mr David Harris	Group Managing Director & CEO
Mr Phillip Anderson	Director (non-executive)
Mr Harry Boon	Director (non-executive)
Mr David Martin	Director (non-executive)
Mr John Gaskell	Director (non-executive)
Mr Chris Woodward	Finance Director
Mr David Hammond	CEO Electrical Division
Mr Joseph Farrugia	CEO Services Division
Mr Ian McGregor	CEO Middle East Division
Mr Phill Laidlaw	CEO UK Operations
Mr Jerry Collins	CEO Republic of Ireland and International Operations

Details of the remuneration of each Hastie Group Limited non-executive director and Senior Executive are set out in the tables below:

Non-executive directors' remuneration

		Short-term $	Post employment $	Long Term $	Total $
		Salary & fees paid	Super-annuation	Retirement benefits	
Mr Trevor Bourne	2011	201,835	18,165	–	220,000
	2010	183,486	16,514	–	200,000
Mr Phillip Anderson	2011	110,000	–	–	110,000
	2010	96,000	–	–	96,000
Mr Harry Boon	2011	109,069	8,931	–	118,000
	2010	95,413	8,587	–	104,000
Mr David Martin	2011	98,000	–	–	98,000
	2010	88,000	–	–	88,000
Mr John Gaskell	2011	89,908	8,092	–	98,000
	2010	46,333	41,667	–	88,000
Total	**2011**	**608,812**	**35,188**	–	**644,000**
	2010	**509,232**	**66,768**	**–**	**576,000**

Senior Executives remuneration

		Short-term $		Post employment $	Long Term Benefits $		Total $
		Salaries	Bonus Payable[1,2]	Super–annuation	Deferred Share Plan	Performance rights [4]	
Mr David Harris	2011	700,000	-	50,000	-	125,645	875,645
	2010	635,000	210,000	50,000	55,385[3]	104,214	1,054,599
Mr Chris Woodward	2011	475,000	-	25,000	-	54,003	554,003
	2010	437,500	144,000	25,021	-	38,587	645,108
Mr David Hammond	2011	375,602	77,550	35,151	-	46,654	534,957
	2010	372,750	115,000	37,275	-	45,269	570,294
Mr Joseph Farrugia	2011	371,560	87,075	33,440	-	47,118	539,193
	2010	345,000	75,000	50,000	-	42,750	512,750
Mr Ian McGregor[5]	2011	423,265	36,011	-	-	-	459,276
	2010	-	-	-	-	-	-
Mr Phill Laidlaw	2011	300,176	71,588	42,499	-	30,301	444,564
	2010	277,234	92,657	36,136	-	30,201	436,228
Mr Jerry Collins	2011	287,887	26,836	25,679	-	23,014	363,416
	2010	266,520	21,494	26,652	-	23,566	338,232
TOTAL	2011	**2,933,490**	**299,060**	**211,769**	**-**	**326,735**	**3,771,054**
	2010	**2,334,004**	**658,151**	**225,084**	**55,385**	**284,587**	**3,557,211**

[1] FY2011 bonuses represent those amounts approved by the directors and payable during the financial year ended 30 June 2012 for services performed in relation to the financial year ended 30 June 2011.
[2] FY2010 bonuses represent those amounts approved by the directors and paid during the financial year ended 30 June 2011 for services performed in relation to the financial year ended 30 June 2010.
[3] Mr David Harris was granted 150,000 shares in June 2007 when joining the company. These shares vest in 3 equal tranches depending on continued service. $55,385 represents the amortisation of the sign on benefit over the vesting period for FY2010.
[4] The value of performance rights represents the expensed value of rights issued in prior years which is amortised over the vesting period. No performance rights were issued during the financial year ended 30 June 2011.
[5] Mr Ian McGregor joined the Senior Executive team on 16 September 2010.

EQUITY INSTRUMENT DISCLOSURES RELATING TO SENIOR EXECUTIVES - *Options, Performance rights or shares provided as remuneration*

No options have been issued to or are held by Senior Executives.

Details of performance rights over unissued ordinary shares in Hastie Group Limited provided as remuneration to Senior Executives are set out below. No performance rights were granted to Senior Executives during the financial year ended 30 June 2011.

No performance rights were granted to, or are held by, non-executive directors.

The amounts disclosed for remuneration relating to performance rights is the assessed fair value at grant date allocated over the period from grant date to vesting date. Fair values at grant date have been independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the expected life of the performance right, the market based vesting and performance criteria, the impact of dilution, the share price on grant date, expected price volatility of the underlying share, the expected dividend yield and risk free interest rate for the life of the performance right.

Details of the movements in the number of performance rights over ordinary shares in Hastie Group Limited held during the financial year by each of the Senior Executives of the consolidated entity, including their related parties, are set out below:

Performance Rights – number

Senior Executives		Balance at start of period	Granted during period as compensation	Vested during period	Other changes	Balance at end of period
Mr David Harris	2011	559,554	-	-	-	559,554
	2010	235,971	373,584	(16,667)	(33,334)	559,554
Mr Chris Woodward	2011	229,075	-	-	-	229,075
	2010	136,651	167,924	(32,000)	(43,500)	229,075
Mr David Hammond	2011	197,198	-	-	-	197,198
	2010	127,338	154,076	(63,147)	(21,069)	197,198
Mr Joseph Farrugia	2011	197,877	-	-	-	197,877
	2010	58,468	149,321	(3,304)	(6,608)	197,877
Mr Ian McGregor[1]	2011	-	-	-	-	-
	2010	-	-	-	-	-
Mr Phill Laidlaw	2011	115,771	-	-	-	115,771
	2010	15,000	100,771	-	-	115,771
Mr Jerry Collins	2011	91,219	-	-	-	91,219
	2010	15,000	76,219	-	-	91,219

[1] Mr Ian McGregor became a Senior Executive on 16 September 2010.

Value of performance rights issued to Senior Executives

The value of performance rights granted, exercised or lapsed during the financial years ended 30 June 2011 and 30 June 2010 is set out below:

		Rights granted Value at grant date $	Rights exercised Value at exercise date (1) $	Rights lapsed Value at time of lapse $	Value of rights included in remuneration for the year (2) $
Mr David Harris	2011	-	-	-	125,645
	2010	397,867	60,835	101,293	104,214
Mr Chris Woodward	2011	-	-	-	54,003
	2010	178,840	80,470	127,210	38,587
Mr David Hammond	2011	-	-	-	46,654
	2010	154,727	123,291	68,615	45,269
Mr Joseph Farrugia	2011	-	-	-	47,118
	2010	154,727	12,060	20,080	42,750
Mr Ian McGregor	2011	-	-	-	-
	2010	-	-	-	-
Mr Phill Laidlaw	2011	-	-	-	30,301
	2010	106,217	-	-	30,201
Mr Jerry Collins	2011	-	-	-	23,014
	2010	80,069	-	-	23,566
TOTAL	**2011**	**-**	**-**	**-**	**326,735**
	2010	**1,072,447**	**276,656**	**317,198**	**284,587**

[1] Value at exercise date has been independently determined using a Black-Scholes option pricing model and is not based on the Volume Weighted Average Price.

[2] The value of performance rights included in the remuneration year represents the expensed value of rights issued in prior years which is amortised over the vesting period. No performance rights were issued in the financial year ended 30 June 2011.

Employment Contracts

Directors and executives	Date commenced with Hastie Group	Term of contract	Cash bonus linked to KPIs	Non compete period	Notice of termination and benefit
Mr David Harris [1]	1 June 2007	Ongoing	Yes	Yes	12 months
Mr Chris Woodward	17 May 2004	Ongoing	Yes	No	6 months
Mr David Hammond	4 Sept. 2006	Ongoing	Yes	Yes	6 months
Mr Joseph Farrugia [2]	29 Jan. 2008	Ongoing	Yes	Yes	6 months
Mr Ian McGregor	16 Oct 2007	Ongoing	Yes	Yes	6 months
Mr Phill Laidlaw	3 April 2008	Ongoing	Yes	Yes	6 months
Mr Jerry Collins	3 April 2008	Ongoing	Yes	Yes	6 months

[1] Mr David Harris has tendered his resignation, refer Directors' Report.
[2] Mr Joseph Farrugia has tendered his resignation.

Signed in accordance with a resolution of directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the Directors

Trevor Bourne
Chairman

David Harris
Director

Sydney, 29 August 2011

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

The Barrington
Level 10
10 Smith Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

The Board of Directors
Hastie Group Limited
Level 5, 20 Highgate Street
AUBURN NSW 2144

29 August 2011

Dear Board Members

Hastie Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Hastie Group Limited.

As lead audit partner for the audit of the financial statements of Hastie Group Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R G Saayman
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

The Barrington
Level 10
10 Smith Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

Independent Auditor's Report to the members of Hastie Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Hastie Group Limited, which comprises the statement of financial position as at 30 June 2011, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 24 to 77.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Hastie Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Hastie Group Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 20 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Hastie Group Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R G Saayman
Partner
Chartered Accountants
Sydney, 29 August 2011

Directors' declaration

The directors declare that in their opinion:

(a) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) the attached financial statements and notes are in accordance with the Corporations Act 2001, including compliance with accounting standards and give a true and fair view of the financial position and performance of the consolidated entity;

(c) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and

(d) they have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the companies to which the ASIC Class Order applies, as detailed in note 26 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Trevor Bourne
Chairman

David Harris
Director

Sydney, 29 August 2011

Income statement
for the year ended 30 June 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Revenue from sale of goods and services		1,848,843	1,651,081
Cost of sales		(1,574,199)	(1,369,715)
Gross profit		274,644	281,366
Other income		3,142	3,720
Marketing expenses		(2,374)	(1,737)
Occupancy expenses		(18,862)	(16,754)
Administration expenses		(193,956)	(175,282)
Depreciation and amortisation expense	34	(15,070)	(13,498)
Earnings before interest, tax and significant items		47,524	77,815
Significant items - doubtful debt provisions	3	(33,450)	(4,694)
- goodwill impairment	3	(69,129)	-
- write-off of brand value	3	(1,348)	-
- standstill costs	3	(2,304)	-
Gain on acquisition	27	-	1,579
Acquisition-related costs	27	(321)	(2,154)
(Loss) / Earnings before interest and tax		(59,028)	72,546
Interest income	4	459	1,009
Finance costs	4	(35,601)	(21,646)
(Loss) / Profit before tax	34	(94,170)	51,909
Income tax benefit / (expense)	5	6,344	(11,331)
(Loss) / Profit for the year		(87,826)	40,578
(Loss) / Profit is attributable to:			
Owners of the parent		(87,826)	39,835
Non-controlling interests		-	743
		(87,826)	40,578
		Cents	**Cents**
(Loss) / Earnings per share:			
Basic [1]	21	(34.6)	16.1
Diluted [1]	21	(34.6)	15.8

[1] Earnings per share for 2010 have been restated, as required by AASB 133 'Earnings per Share.' Refer note 21.

Notes to the financial statements are included on pages 30 to 77

Statement of comprehensive income for the year ended 30 June 2011

	Note	Consolidated 2011 $'000	2010 $'000
(Loss) / Profit for the year		(87,826)	40,578
Other comprehensive income			
Gain / (loss) recognised on:			
Interest rate swaps	18	1,033	2,984
Forward exchange contracts	18	(326)	(2,789)
		707	195
Related deferred tax	18	(142)	(128)
		565	67
Foreign currency translation	18	(51,185)	(4,060)
Increase / (decline) in value of pension plan assets	18	432	(432)
Other comprehensive expense for the year		(50,188)	(4,425)
Total comprehensive (loss) / income for the year		(138,014)	36,153
Total comprehensive (loss) / income is attributable to:			
Owners of the parent		(138,014)	35,410
Non-controlling interests		-	743
		(138,014)	36,153

Notes to the financial statements are included on pages 30 to 77

Statement of financial position as at 30 June 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Current assets			
Cash		71,665	84,051
Trade and other receivables	6	387,898	406,501
Inventories	7	83,001	34,450
Current tax assets		9,026	168
Prepayments		6,938	8,510
Other financial assets	8	-	1,022
Total current assets		558,528	534,702
Non-current assets			
Property, plant and equipment	9	49,790	54,967
Deferred tax assets	5	24,851	23,120
Goodwill	10	320,056	424,039
Other intangible assets	11	10,232	14,777
Other financial assets	8	2,244	2,324
Total non-current assets		407,173	519,227
Total assets		965,701	1,053,929
Current liabilities			
Trade and other payables	12	306,894	322,953
Borrowings	13	34,705	9,478
Current tax liabilities		2,295	6,443
Provisions	16	58,155	53,439
Financial instruments	15	3,716	4,722
Contingent consideration		2,597	1,761
Total current liabilities		408,362	398,796
Non-current liabilities			
Borrowings	13	278,718	263,033
Provisions	16	3,168	2,905
Contingent consideration		-	1,967
Total non-current liabilities		281,886	267,905
Total liabilities		690,248	666,701
Net assets		275,453	387,228
Equity			
Issued capital	17	340,691	299,688
Reserves	18	(60,557)	(6,753)
(Accumulated losses) / retained earnings	19	(4,681)	92,734
Parent owners interest		275,453	385,669
Non-controlling interest	20	-	1,559
Total equity		275,453	387,228

Notes to the financial statements are included on pages 30 to 77

Statement of cash flows for the year ended 30 June 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash flows from operating activities			
Receipts from customers		2,036,831	1,796,977
Payments to suppliers and employees		(2,056,579)	(1,737,251)
Cash from operations		(19,748)	59,726
Income tax paid		(7,438)	(8,117)
Net cash (used)/generated by operating activities	29(a)	(27,186)	51,609
Cash flows from investing activities			
Payment for businesses			
- current year acquisitions	27	(3,311)	(17,730)
- acquisition of minority interest		(4,887)	-
- prior year acquisitions		(153)	(107)
Payment of contingent consideration for businesses		(4,069)	(5,845)
Payment for property, plant and equipment		(9,201)	(10,837)
Payment for intangible assets (Software)		(1,923)	(1,711)
Proceeds from sale of property, plant and equipment		976	1,833
Advances to related parties		80	(1,336)
Net cash used in investing activities		(22,488)	(35,733)
Cash flows from financing activities			
Proceeds from issues of shares		43,504	-
Payment for share issue costs		(3,492)	(114)
Proceeds from borrowings		108,173	24,396
Repayment of borrowings		(68,363)	(9,387)
Interest received		459	1,009
Interest and other costs of finance paid		(33,975)	(21,083)
Dividends paid to			
- owners of the parent entity		(9,589)	(14,467)
- non-controlling interests		-	(298)
Net cash generated/(used) by financing activities		36,717	(19,944)
Net decrease in cash		(12,957)	(4,068)
Cash at the beginning of the year		80,835	87,599
Effect of exchange rate changes on cash held in foreign currencies		(5,784)	(2,696)
Cash at the end of the year		62,094	80,835
Reconciliation to related items in the statement of financial position:			
Cash		71,665	84,051
Bank overdraft (note 13)		(9,571)	(3,216)
		62,094	80,835

Notes to the financial statements are included on pages 30 to 77

Statement of changes in equity for the year ended 30 June 2010

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Total comprehensive (loss) / income for the year			
Attributable to:			
Owners of the parent		(138,014)	35,410
Non-controlling interests		-	743
		(138,014)	36,153
Transactions with owners in their capacity as owners			
Shares issued for cash	17	43,504	-
Share issue costs	17	(3,492)	(114)
Related income tax	17	868	34
Shares issued pursuant to dividend reinvestment plans	17	-	9,045
Share based payment	18	328	520
Shares purchased		-	(1,122)
Acquisition of minority interest		(4,887)	-
Dividends paid			
- owners of the parent	22	(9,589)	(23,511)
- non-controlling interest	20	(493)	(298)
Net change in total equity		(111,775)	20,707
Equity at the beginning of the year		387,228	366,521
Equity at the end of the year		275,453	387,228
Reconciliation of changes in equity by components			
Issued capital	17		
Opening balance		299,688	290,093
Net change		41,003	9,595
Closing balance		340,691	299,688
Reserves	18		
Opening balance		(6,753)	(1,096)
Net change		(53,804)	(5,657)
Closing balance		(60,557)	(6,753)
Retained earnings	19		
Opening balance		92,734	76,410
Net change		(97,415)	16,324
Closing balance		(4,681)	92,734
Non-controlling interest	20		
Opening balance		1,559	1,114
Net change		(1,559)	445
Closing balance		-	1,559
Equity at the end of the year		275,453	387,228

Notes to the financial statements are included on pages 30 to 77

Notes to the financial statements for the year ended 30 June 2011

1. Significant accounting policies

Statement of compliance

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements comply with International Financial Reporting Standards.

The financial statements were authorised for issue by the directors on 29 August 2011.

Basis of preparation

The financial statements have been prepared on an historical cost basis, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The preparation of financial statements in conformity to Australian Accounting Standards require the Directors to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates and underlying assumptions are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period and future periods if the revision affects both current and future periods.

The estimates and judgments that have a significant risk of material adjustments in the next financial year are disclosed as appropriate in the notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

All amounts are presented in Australian dollars, unless otherwise noted.

The company is of a kind referred to in ASIC Class Order 98/0100 and in accordance with that Class Order amounts in the financial report are rounded off to the nearest $'000, unless otherwise indicated.

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Hastie Group ("Hastie") incurred a net loss from continuing operations after tax of $87,826,000 and experienced a net decrease in cash before the effect of exchange rate changes on cash held in foreign currencies of $12,957,000 during the year ended 30 June 2011. However, as of that date, the consolidated entity's current assets exceeded its current liabilities by $150,166,000.

Pursuant to the terms of its bilateral financing facilities detailed in notes 13 and 14, Hastie was required to comply with certain banking covenants which are assessed at the end of each quarter. While Hastie was in compliance with these covenants for the quarter ended 31 December 2010, ongoing challenging market conditions resulted in Hastie being at risk of breaching certain of its banking covenants subsequent to 31 December 2010. In the event of such a covenant breach, each financier would have had the right to demand or accelerate repayment of amounts owed to them.

1 Significant accounting policies (continued)

As a result of the above situation, Hastie approached its Banking Group who committed to support Hastie to continue trading as a going concern. As a consequence, on 8 April 2011 Hastie entered into:

- a Standstill Deed; and
- a new syndicated Funding Agreement

with its Banking Group comprising: ANZ Banking Group Limited, ANZ National Bank, Bank of Scotland International, Commonwealth Bank of Australia, HSBC Australia, HSBC Middle East, National Australia Bank, Ulster Bank and Westpac Banking Corporation.

The key features of these agreements included that during the standstill period, and subject to Hastie meeting certain conditions and financial and other performance targets:

(a) ongoing funding, bonding and working capital facilities would be provided on a syndicated basis to support business requirements;
(b) covenant calculations would not be undertaken during the standstill period, including as at 30 June 20ll; and
(c) the Banking Group would not demand or accelerate repayment of any amounts under Hastie's bilateral facilities, or take any enforcement action by reason of any breach of the financial covenants in each bilateral facility.

The standstill period was due to end on 1 August 2011 unless extended by agreement with each bank.

Following the conclusion of this process:

(a) on 8 June 2011, Hastie signed new syndicated debt facilities with its Banking Group, including:

- a $146 million term debt facility;
- a revolving credit facility of $113.9 million, expected to be initially drawn to c.$50 million; and
- committed project bonding and letter of credit facilities of $300 million,

where all facilities have a staggered maturity profile, with two thirds of the committed amounts maturing on 31 July 2013, and the balance on 31 July 2014. The first draw down on these new syndicated debt facilities was subject to Hastie satisfying a number of conditions, including repaying a minimum of $102 million of its existing debt facilities.

(b) on 14th June 2011 Hastie announced that it would raise approximately $160 million by way of:

- $7.2 million through an initial share placement to funds managed by Lazard Australia Private Equity Pty Ltd;
- $110 million through a 2.85 for 1 fully underwritten accelerated renounceable entitlement offer; and
- $42.8 million through a fully underwritten conditional placement to institutional investors, subject to shareholder approval at an Extraordinary General meeting of Hastie Group to be held on 22 July 2011.

Hastie intended to apply the net proceeds received from the initial share placement and upon settlement of its accelerated renounceable entitlement offer to repay at least $102 million of existing debt facilities and thereby bring the new syndicated debt facilities in to force.

1 Significant accounting policies (continued)

At 30 June 2011:

- the initial share placement and the institutional component of the accelerated renounceable entitlement offer had been completed raising $43.5 million ($40.0 million net of equity raising fees and costs);
- following receipt of the funds from the initial share placement, on 17 June 2011 and the institutional component of the accelerated renounceable entitlement offer, on 27 June 2011, Hastie repaid a $25.0 million to its Banking Group;
- the retail element of the entitlement offer had been fully underwritten, but not completed, totalling $73.7 million; and
- the conditional placement had also been conducted, totalling $42.8 million, but where completion remained subject to shareholder approval.

Since 30 June 2011:

- on 18 July 2011 Hastie announced the successful completion of the retail component of its fully underwritten 2.85 for 1 accelerated renounceable entitlement offer, raising $73.7 million; which represented the completion of the final stage of the entitlement offer announced on 14 June 2011;
- Following receipt of the funds from the retail component of the entitlement offer Hastie, on 18 July 2011, Hastie repaid a further $81 million to its Banking Group ($106 million in aggregate, including $25 million repaid in June 2011 out of the proceeds of the institutional component of the entitlement offer) thereby bringing the new syndicated debt facilities in to force. Drawings under these new facilities were then used to repay all previous bilateral debt facilities and all bonds and trade letters of credit issued under bilateral or syndicated standstill facilities were novated to the new syndicated debt facilities; following which the previous bilateral facilities and the syndicated standstill funding agreement, signed on 8 April 2011, were cancelled. From 18 July 2011 Hastie was no longer subject to the terms of the standstill deed entered in to on 8 April 2011 and it's relations with its Banking Group are now solely governed by the terms of the new syndicated debt facilities signed on 8 June 2011;
- on 22nd July 2011 at Hastie's Extraordinary General Meeting shareholders voted in favour of the conditional placement totalling $42.8 million, where the funds, net of equity raising fees and costs, were received on 26 July 2011 and used to further pay down debt; this represented the completion of the final stage of Hastie's $160 million equity raising; and
- on 11 August 2011 an offer to participate in the Hastie Group Share Purchase Plan was dispatched to existing Australian and New Zealand shareholders on the register as at 7pm (Sydney time) on 5 August 2011 inviting each of them to participate up to a maximum amount of $15,000 based on a share price of $0.14 per share. The offer will close at 5pm (Sydney time) on 1 September 2011 with shares allotted on 12 September 2011.

The Directors consider that there are reasonable grounds to believe that Hastie will be able to pay its debts as and when they become due and payable. In forming this view, the Directors have given consideration to the following matters:

(i) the successful $160 million equity raising noted above;
(ii) The new syndicated banking facilities which came in to force on 18 July 2011, noted above;
(iii) Hastie continues to trade profitably (excluding the impact of non cash significant items: doubtful debt provisions and goodwill impairment); and
(iv) Hastie's profit forecast and cash requirements through to the end of September 2012.

1 Significant accounting policies (continued)

The following significant accounting policies have been applied in the preparation and presentation of the financial statements:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date control commences until the date that control ceases. A list of subsidiaries appears in note 26.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements, and all intra-group balances, transactions, income and expenses are eliminated in full on consolidation.

The interest of non-controlling shareholders consists of their share of the fair values of the assets and liabilities recognised at the time of the original acquisition and their share of the changes in equity since that time.

(b) Changes in accounting policies on initial application of Accounting Standards

No amending Standards adopted during the year had a material impact on the financial report.

(c) Foreign currency

All foreign currency transactions during the financial year are translated at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets (including goodwill) and liabilities at reporting date are translated at the exchange rates ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

On consolidation, the assets and liabilities of the Group's foreign operations are translated to Australian dollars at exchange ruling at balance date, while income and expenses are translated at the average exchange rates for the year. Exchange differences arising are recognised in the foreign currency translation reserve.

(d) Financial assets

Investments in subsidiaries, associates and other investments are measured at cost.

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment losses.

(e) Derivative Financial instruments

The Group uses derivative financial instruments such as forward foreign exchange contracts and interest rate swaps to hedge its exposure to interest rate and foreign exchange rate risk.

The effective portion of changes in the fair value of cash flow hedges are recognised in equity in the hedging reserve, while the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the amounts previously deferred in equity are transferred and included in the initial measurement of the cost of the asset.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain amount deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative amount in equity is recognised immediately in profit or loss.

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

1. Significant accounting policies (continued)

(f) Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

Rendering of services

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction. The stage of completion is determined by reference to work performed.

Construction contracts

Revenue from contracts is generally recognised on an individual contract basis by reference to the recoverable costs incurred during the financial period plus the percentage of margin earned. Percentage of margin earned is measured by the proportion that costs incurred to date bear to the estimated costs of the contract. Where a loss is expected to occur it is recognised immediately and is made for both work in progress to date and for future work on the contract. Variations in contract work, claims and incentive payments are included to the extent it is probable the customer will approve and accept them.

(g) Joint ventures

Interests in jointly controlled assets and operations are reported in the financial statements by including in their respective classification categories the Group's share of assets employed, liabilities incurred and income and expenses.

(h) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its estimated useful life as follows:

Buildings	50 years
Leasehold improvements	Term of lease
Plant and equipment	4 - 15 years
Motor vehicles	4 - 5 years
Office furniture and equipment	5 - 15 years

The estimated useful lives, residual values and depreciation method are reviewed at each financial year end.

(i) Leased assets

The Group enters into leases as a lessee, in respect of both finance and operating leases.

Finance lease assets are initially recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease liability.

Finance lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant periodic rate of interest on the outstanding lease liability. Finance charges are recognised as an expense in profit or loss.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1. Significant accounting policies (continued)

(j) Business acquisitions

Acquisition of subsidiaries and businesses are accounted for using the acquisition method, where cost is compared with the net assets acquired. Cost is measured as the fair values of assets given, liabilities incurred or assumed, and equity instruments issued. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date.

The excess of the cost over the fair value of the net assets acquired is recorded as goodwill.

Acquisition related costs are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the future amounts payable are discounted to their present value as at the date of exchange, using the Group's incremental borrowing rate as the discount rate.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets and liabilities recognised.

Specific intangible assets are recognised at the time of a business acquisition where it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably.

Contractual customer relationships acquired in a business acquisition are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The fair value is determined by way of an excess earnings approach and amortised over the expected life of the contractual relationship.

Brand names acquired in a business acquisition are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Brand names recognised by the Group are considered to have indefinite lives and are not amortised. Each period, the useful life is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment at least annually or more frequently if events or circumstances indicate that the asset might be impaired.

(k) Goodwill

Goodwill arising in a business acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets acquired.

If the Group's share of the net identifiable assets acquired exceeds the cost of acquisition, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised, but is allocated to the Group's cash generating units and is tested for impairment annually, and whenever an indication of impairment exists.

An impairment of goodwill is not subsequently reversed.

1. Significant accounting policies (continued)

(l) Impairment of assets

Financial assets, other than those at fair value through profit of loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amounts of the Group's tangible and intangible assets, including goodwill, are assessed annually for impairment. An impairment loss is recognised in the profit and loss for the amount by which the assets carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For an impaired trade receivable the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognised in profit or loss.

An impairment of goodwill is not subsequently reversed.

Where an impairment loss on other assets subsequently reverses, the carrying amount is increased to the revised estimated recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount.

(m) Income tax

Current tax

Current tax is the tax payable on the taxable income for the year, using tax rates and laws that have been enacted or substantively enacted by reporting date, and any adjustment to tax payable in respect of prior years. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is recognised on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities (other than as a result of a business acquisition) which affects neither taxable income nor accounting profit, nor is a deferred tax liability recognised in relation to the initial recognition of goodwill. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable amounts will be available to utilise the temporary differences.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by reporting date, and that are expected to apply when the related asset is realised or the liability is settled.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax is recognised in the income statement, except when it relates to items recognised directly in equity, in which case it is recognised there. Where it arises from the initial accounting for a business acquisition, it is taken into account in determining goodwill.

1. Significant accounting policies (continued)

(n) Intangible assets – Software

Software represents principally the investment in the Group's ERP systems, including some internally generated cost, and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful lives of five years. The estimated useful life and amortisation method are reviewed annually.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value is the estimated selling price less the estimated costs of completion and selling expenses.

(p) Construction work in progress

Construction work in progress represents the total of costs incurred to date plus recognised profits less recognised losses and progress billings. On contracts where billings exceed the total costs incurred plus profit margins, the net amounts are presented under trade and other payables.

(q) Cash

Cash comprises cash on hand and in banks.

Bank overdrafts are shown within borrowings under current liabilities in the statement of financial position.

(r) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and the amount of the provision can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

(s) Employee benefits

Provision has been made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being reliably measured.

Provisions made in respect of employee benefits expected to be settled within one year are measured at the amount of expected payment to the employee.

The portions of provisions expected to be settled later than one year are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

(t) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except:

i. where the GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. receivables and payables are stated inclusive of GST.

The net amount of GST payable to the taxation authority is included as part of payables.

Cash flows are included in the Statement of Cash Flows on a gross basis, and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

1. Significant accounting policies (continued)

(u) Share-based payments

Equity-settled share-based payments are measured at fair value at the grant date. Fair value is measured by use of a Black-Scholes and Barrier Pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

(v) Standards and Interpretations issued not early adopted

At the date of authorisation of these financial statements, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards applicable to the Group is not expected to have any material impact on the financial report of the Group and the company:

Standard/Interpretation	*Effective and will be initially applied by Hastie Group in the financial year ending*
• AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	30 June 2012
• Interpretation – Prepayments of a Minimum Funding Requirement	30 June 2012
• AASB 9 Financial Instruments, AASB 2009-11 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9	30 June 2014
• AASB 2010-5 Amendments to Australian Accounting Standards	30 June 2012
• AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	30 June 2012
• AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	30 June 2013

2. Segment information

The principal products and services of each of Hastie's segments are as follows:

- Mechanical, Electrical & Plumbing — Design, engineering, assembly and installation of :
  - commercial and industrial air conditioning
  - electrical, communications and data services
  - fire protection systems
  - commercial plumbing and drainage systems
  - commercial and industrial refrigeration

  Principally in Australasia.
- Services — Preventative maintenance and breakdown repair services for commercial and industrial air conditioning and related systems, and fire and electronic security services.

  Solely in Australasia.
- Rotary — Design, engineering, assembly and installation of commercial and industrial air conditioning, electrical and plumbing products and systems, in UK, Ireland, and selected overseas markets.
- Middle East — Design, engineering, assembly and installation of commercial and industrial air conditioning, electrical and plumbing products and systems, in the Middle East region, including Dubai, Abu Dhabi, Oman and Qatar.

Following an operational/management restructure, from 1 July 2010 there are no longer separate Mechanical & Hydraulics and Electrical segments, with the operations combined into a single Mechanical, Electrical & Plumbing (MEP) segment. Middle East operations, previously reported in Mechanical & Hydraulics and Rotary Segments, are now shown as a separate segment. The 2010 comparatives below have been adjusted to reflect this.

The chief operating decision maker assesses performance of the operating segments based on the operations of the segment, without allocation of interest receivable and central other income. Segment results represents the profit earned by each segment after allocating central costs, based on a measure of segment revenue and operations, without allocation of net finance costs, acquisition related costs expensed in accordance with AASB 3 *Business Combinations* and income tax expenses.

Segment revenues	External revenue		Other		Total	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Mechanical, Electrical & Plumbing	1,139,524	1,041,393	985	2,345	1,140,509	1,043,738
Services	305,102	217,774	392	523	305,494	218,297
Rotary	240,918	294,264	1,765	570	242,683	294,834
Middle East	163,299	97,650	-	282	163,299	97,932
Total of segment revenues	1,848,843	1,651,081	3,142	3,720	1,851,985	1,654,801
Unallocated	-	-	459	1,009	459	1,009
Consolidated	1,848,843	1,651,081	3,601	4,729	1,852,444	1,655,810

2. Segment information (continued)

Segment results	Operating Earnings 2011 $'000	Significant Items (see note 3) 2011 $'000	Total Earnings 2011 $'000	Total Earnings 2010 $'000
Mechanical, Electrical & Plumbing	27,193	(3,963)	23,230	52,861
Services	10,635	(3,288)	7,347	9,438
Rotary	7,574	(24,593)	(17,019)	6,280
Middle East	2,122	(72,083)	(69,961)	4,542
Segment results	47,524	(103,927)	(56,403)	73,121
Net finance costs			(35,142)	(20,637)
Standstill costs			(2,304)	-
Gain on acquisition			-	1,579
Acquisition-related costs			(321)	(2,154)
(Loss) / Profit before tax			(94,170)	51,909

The amounts provided to the chief operating decision maker with respect to assets are measured based on the operations of the segment and the physical location of the asset, without allocation of those assets maintained centrally and tax assets. Liabilities are measured based on the operations of the segment, without allocation of those liabilities managed centrally and tax liabilities.

Segment assets and liabilities	Assets		Liabilities	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Mechanical, Electrical & Plumbing	525,712	479,130	242,750	196,423
Services	132,881	140,975	36,867	44,099
Rotary	187,252	251,547	78,221	91,145
Middle East	77,899	143,617	68,832	55,673
Segment totals	923,744	1,015,269	426,670	387,340
Unallocated [1]	41,957	38,660	263,578	279,361
Consolidated total assets and liabilities	965,701	1,053,929	690,248	666,701

[1] Unallocated assets and liabilities are predominantly cash and borrowings, respectively, managed centrally.

Other segment information	Additions to Non-current assets		Depreciation and amortisation	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Mechanical, Electrical & Plumbing	7,786	16,282	7,130	6,732
Services	1,645	8,097	4,303	3,045
Rotary	8,254	105	1,099	1,161
Middle East	482	143	472	665
Unallocated	1,368	1,866	2,066	1,895
	19,535	26,493	15,070	13,498

2. Segment information (continued)

Geographical information

Geographical segments	Revenue from external customers 2011 $'000	Revenue from external customers 2010 $'000	Non-current assets 2011 $'000	Non-current assets 2010 $'000
Australia	1,345,963	1,148,431	384,115	387,363
United Kingdom	237,041	255,723	17,194	127,476
Other Overseas	265,839	246,927	5,864	4,388
	1,848,843	1,651,081	407,173	519,227

3. Significant Items

Doubtful debts provision

Due to continued difficult trading conditions, in particular in the Middle East and Republic of Ireland, significant provisions for aged debts totalling $33,450,000 have been made in the 2011 annual results. (2010: significant provisions for aged debts totalling $4,694,000, in the Turks & Caicos).

Goodwill impairment

Due to continued difficult trading conditions, and uncertainties around cash flows in the Middle East, a charge of $69,129,000 for goodwill impairment has been taken in respect of Rotary businesses in the Middle East in the 2011 annual results.

Write-off of Rotary brand name

Due to continued difficult trading conditions, and uncertainties around cash flows in the Middle East, a charge of $1,348,000, to write-down the value of Rotary brand names in the Middle East and other international markets, has been taken in the 2011 annual results.

Standstill costs

On 11 April 2011 Hastie entered into a syndicated Standstill Facilities Agreement with its Banking Group. Costs incurred during the standstill period and directly associated with the syndicated Standstill Facilities Agreement were $2,304,000 and were predominantly fees for independent accounting services required by the Banking Group at Hastie's cost and legal fees.

In addition, on 19 July 2011 Hastie paid to the Banking Group $2,557,000 of fees incurred during the standstill period and directly associated with the syndicated Standstill Facilities Agreement, which are included in finance costs, refer note 4.

4. Net finance costs

	2011 $'000	2010 $'000
Interest income from:		
Bank deposits	459	844
Other	-	165
	459	1,009
Finance costs:		
Loan interest and fees	(20,985)	(17,105)
Interest on contingent consideration	(344)	(122)
Bank and guarantee fees	(5,761)	(2,654)
Loan establishment fees (i)	(5,080)	(1,513)
Bank standstill fees	(2,557)	-
Net foreign exchange loss	(874)	(252)
	(35,601)	(21,646)
Net finance costs	(35,142)	(20,637)

(i) On 18 July 2011 new syndicated financing facilities came into force, refer note 1. This required loan establishment fees in respect of the prior bilateral facilities, not previously amortised, of $3,802,000 be expensed in the period.

5. Income taxes

(a) Income tax recognised in the income statement

The income tax expense reconciles to the accounting profit as follows:

	2011 $'000	2010 $'000
(Loss) / profit before tax	(94,170)	51,909
Prima facie tax at the Australian tax rate of 30%	(28,251)	15,573
Adjusted for:		
Research & development allowance	(4,035)	(1,995)
Deductible expenses	(367)	(1,036)
Non-deductible expenses	7,112	776
Tax exempt income	18,783	(1,015)
Overseas tax rate differential	4,215	1,362
Over provisions in prior years		
Research & development allowance	(2,130)	(2,158)
Other	(1,671)	(176)
Income tax (benefit) / expense	(6,344)	11,331
Tax (benefit) / expense comprises		
Current income tax		
Current year	(1,970)	13,124
Adjustments for prior years	(3,320)	(2,779)
Deferred income tax		
Current year	(573)	541
Adjustments for prior years	(481)	445
Income tax (benefit) / expense	(6,344)	11,331

	2011 $'000	2010 $'000

5. Income taxes (continued)

(b) Deferred tax assets recognised directly in equity

	2011 $'000	2010 $'000
Relating to amortisation of share issue costs	868	34

(c) Deferred tax assets recognised in other comprehensive income

	2011 $'000	2010 $'000
Relating to revaluations of cash flow hedges	(142)	(128)

(d) Deferred tax balances

	Provisions & accruals $'000	Share issue costs $'000	Hedging $'000	Retentions $'000	Other $'000	Total $'000
Balance at 1 July 2009	20,644	1,581	1,385	(1,063)	(93)	22,454
Addition from business acquisitions	(45)	-	-	-	391	346
Tax expense	251	(482)	-	(59)	1,440	1,150
Charged to equity	-	34	-	-	-	34
Other comprehensive income recognised	-	-	(128)	-	-	(128)
Transfer to goodwill	(40)	-	-	-	-	(40)
Foreign currency translation	(248)	-	-	-	(3)	(251)
Other	(468)	-	-	-	23	(445)
Balance at 30 June 2010	20,094	1,133	1,257	(1,122)	1,758	23,120
Addition from business acquisitions	333	-	-	-	-	333
Tax expense	3,730	(655)	-	(59)	(1,962)	1,054
Charged to equity	-	868	-	-	-	868
Other comprehensive income recognised	-	-	(142)	-	-	(142)
Foreign currency translation	(409)	-	-	57	(30)	(382)
Balance at 30 June 2011	23,748	1,346	1,115	(1,124)	(234)	24,851

(e) Tax consolidation

Tax consolidation within the Group

The company and its wholly-owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 April 2005 and are therefore taxed as a single entity from that date. Hastie Group Limited is the head entity within the tax consolidated group, and the group members are identified in note 26.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax consolidated group have entered into tax funding and tax-sharing agreements with the head entity. Under the tax funding arrangement, Hastie Group Limited and each of the subsidiaries in the tax consolidated group has agreed to make a tax equivalent payment to or from the head entity, based on the subsidiary's current tax liability or asset; in addition to its own current and deferred tax amounts.

The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

	2011 $'000	2010 $'000

6. Trade and other receivables

	2011 $'000	2010 $'000
Trade receivables	408,042	405,036
Allowance for doubtful debts	(36,164)	(10,574)
	371,878	394,462
Other receivables	16,020	12,039
	387,898	406,501

Trade receivables are generally regarded as past due when the invoices are unpaid after 90 days after the end of the month raised.

As at 30 June 2011 trade receivables of $ 44,230,000 (2010: $83,288,000) were past due but not impaired.

The Group has not provided for these as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable. These receivables are on average 38 days (2010: 40 days) past due. The Group does not hold any collateral over these balances.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Allowance for doubtful debts:

	2011 $'000	2010 $'000
Opening balance	(10,574)	(5,260)
Additional allowances from business acquisitions	(865)	(1,844)
Net amount recognised in profit and loss	(31,704)	(6,306)
Write offs against allowance	5,797	2,353
Foreign currency translation	1,182	483
Closing balance	(36,164)	(10,574)

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

7. Inventories

	2011 $'000	2010 $'000
Raw materials	18,914	18,354
Work in progress – service	8,582	15,851
Work in progress – construction (see below)	54,106	-
Finished goods	1,399	245
	83,001	34,450

Construction contracts

	2011 $'000	2010 $'000
Construction work in progress	2,913,506	2,130,874
Progress billings and advances received [(1)]	(2,859,400)	(2,134,047)
	54,106	(3,173)

[(1)] The net construction work in progress amount for 2011 is included in inventories (refer above). For 2010 the net construction work in progress amount is included in trade and other payables, see note 12.

	2011 $'000	2010 $'000
8. Other financial assets		
Current		
Foreign currency forward contracts (note 30(c))	-	1,022
Non-current		
Shares in non-controlled entities at cost	604	604
Non-interest bearing advance to a related but non-controlled entity	1,640	1,720
	2,244	2,324

9. Property, plant and equipment

	Land and buildings $'000	Leasehold Improve-ments $'000	Plant and Equipment $'000	Motor Vehicles $'000	Office furniture & Equipment $'000	Total $'000
Movement in net book value						
Balance at 1 July 2009	14,778	8,041	13,444	11,906	8,534	56,703
Reallocation to intangibles	-	-	-	-	(1,053)	(1,053)
Additions from business acquisitions	-	823	876	993	544	3.236
Other additions	-	1,540	3,566	1,930	4,228	11,264
Disposals	-	(327)	(450)	(727)	(54)	(1,558)
Depreciation & amortisation expense	(238)	(1,479)	(2,803)	(3,498)	(3,048)	(11,066)
Foreign currency translation	(2,054)	(146)	(19)	(181)	(159)	(2,559)
Balance at 30 June 2010	12,486	8,452	14,614	10,423	8,992	54,967
Additions from business acquisitions	-	-	-	281	39	320
Other additions	-	2,397	3,141	2,668	2,133	10,339
Disposals	-	(19)	(161)	(672)	(10)	(862)
Depreciation & amortisation expense	(201)	(1,677)	(3,079)	(3,795)	(3,655)	(12,407)
Foreign currency translation	(1,861)	(188)	(179)	(196)	(143)	(2,567)
Balance at 30 June 2011	10,424	8,965	14,336	8,709	7,356	49,790
Balances						
As at 30 June 2010						
Cost	12,982	12,855	30,271	18,341	19,379	93,828
Accumulated depreciation	(496)	(4,403)	(15,657)	(7,918)	(10,387)	(38,861)
Net book value	12,486	8,452	14,614	10,423	8,992	54,967
As at 30 June 2011						
Cost	11,033	14,818	31,943	16,830	20,561	95,185
Accumulated depreciation	(609)	(5,853)	(17,607)	(8,121)	(13,205)	(45,395)
Net book value at 30 June 2011	10,424	8,965	14,336	8,709	7,356	49,790

Included in the Group's motor vehicles at 30 June 2011 are assets under finance leases with a net book value of $3,210,000 (2010: $3,338,000).

Depreciation expense is included in the line item 'Depreciation and amortisation expense' in the Income Statement and disclosed in note 34.

10. Goodwill

	2011 $'000	2010 $'000
Net carrying amount		
Opening balance	424,039	413,763
Additional amounts recognised from :		
business acquisitions occurring during the year (note 27)	6,079	12,040
business acquisitions occurring in prior years	1,074	-
additional costs re prior year acquisitions	153	64
Impairment of goodwill	(69,129)	-
Reassessment of deferred consideration for prior year acquisitions	-	(1,879)
Foreign currency translation	(42,160)	51
Closing balance	320,056	424,039

During the year, the carrying value of goodwill was reduced by an impairment charge of $69,129,000, due to uncertainty around cash flows in the Middle East, and foreign exchange movements of $42,160,000.

Following an operational/management restructure, from 1 July 2010 Middle East operations, previously reported in Mechanical & Hydraulics and Rotary cash-generating units, have been identified as a separate cash generating unit. The 2010 comparatives below have been adjusted to reflect this

Allocation of goodwill to cash-generating units

For impairment testing purposes the allocation is:

	2011 $'000	2010 $'000
Mechanical & Plumbing	167,165	166,024
Electrical	59,989	59,989
Rotary	65,483	111,809
Middle East	-	57,123
Services	27,419	29,094
	320,056	424,039

Key assumptions

The key assumptions used in the value in use calculations are as follows:

EBITDA	Budgeted EBITDA has been based on full year 2011/2012 expectations in light of past experience, short-term and long-term growth factors and expected efficiency improvements, which are consistent with the Group's plans for focusing business operations within each identified cash-generating unit. The Group expects forecast growth factors and efficiency improvements to be reasonably achievable over the value in use assessment period. There is nil adjustment for depreciation/amortisation, as replacement capital expenditure is broadly in line with depreciation over the long-term. Rotary EBITDA has been converted at a foreign exchange rate applicable at balance date of A$1 equals GBP 0.67 over the value in use assessment period, as required by accounting standards. Middle East EBITDA has been converted at a foreign exchange rate applicable at balance date of A$1 equals AED 3.94 over the value in use assessment period, as required by accounting standards.
Long-term growth rate	Five years of plan data has been used for the Group's value in use calculations. A long-term growth rate into perpetuity has been determined by reference to the nominal GDP rates and forecast long-term compound annual growth rates in EBITDA.

10. Goodwill (continued)

Discount factor

The discount rate applied to the cash flows of the Group's operations is based on the risk free rate for ten year bonds issued by the government in the respective market, where possible adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group's operations. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the Group's operations relative to the market as a whole.

In determining the discount factor, the Group has applied an adjustment for systematic risk to the Group's operations determined by reference to average betas determined as appropriate for the Group's specific industries, territories and market risk profile by independent economists. The Group has used a forward looking risk premium that takes into consideration the average equity market risk premium.

Sensitivity to changes in assumptions

Other than as disclosed below, the Company believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any cash generating unit to exceed its recoverable amount.

30 June 2011

The estimated recoverable amount of the Group's operations exceeded their carrying value in each identified cash-generating unit, applicable at 30 June 2011, by approximately $188,790,000 in aggregate.

The table below shows the key assumptions used in the value in use calculation:

	Mechanical & Plumbing	Electrical	Rotary	Services
Recoverable amount exceeding carrying value ($'000)	74,446	53,874	13,405	47,065
Discount factor	9.9%	9.9%	10.7%	9.9%
Long-term growth rate	3.5%	3.5%	2.5%	3.5%
Budgeted EBIT [1]	19.6%	-1.1%	8.1%	12.0%

Notes: [1] Budgeted EBIT is expressed as the compound annual growth rates in the initial five years for all cash generating units of the plans used for impairment testing

The amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value is shown in the table below:

	Mechanical & Plumbing pps[2]	Electrical pps[2]	Rotary pps[2]	Services pps[2]
Discount factor	2.1	4.7	0.9	3.1
Long-term growth rate	(2.9)	(7.0)	(0.9)	(4.3)
Budgeted EBIT [1]	(6.8)	(10.5)	(2.5)	(8.3)

Notes: [1] Budgeted EBIT is expressed as the compound annual growth rates in the initial five years for all cash generating units of the plans used for impairment testing

[2] The percentage points movement to the key assumption

10. Goodwill (continued)

30 June 2010

The estimated recoverable amount of the Group's operations exceeded their carrying value in each identified cash-generating unit by approximately $645,533,000 in aggregate.

The table below shows the key assumptions used in the value in use calculation

	Mechanical & Plumbing	Electrical	Rotary	Services
Recoverable amount exceeding carrying value ($'000)	301,539	191,142	30,048	122,804
Discount factor	10.53%	10.53%	11.01%	10.53%
Long-term growth rate	3.5%	3.5%	3.5%	3.5%
Budgeted EBIT (1)	5.0%	6.6%	16.9%	15.0%

The amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value is shown in the table below:

	Mechanical & Plumbing pps(2)	Electrical pps(2)	Rotary pps(2)	Services pps(2)
Discount factor	8.8	19.6	1.0	8.6
Long-term growth rate	(16.4)	(81.8)	(1.4)	(15.6)
Budgeted EBIT (1)	(20.8)	(32.4)	(2.9)	(20.2)

Notes: (1) Budgeted EBIT is expressed as the compound annual growth rates in the initial five years for all cash generating units of the plans used for impairment testing

(2) The percentage points movement to the key assumption

11. Other intangible assets

	Software $'000	Brand names $'000	Customer contracts $'000	Total $'000
Movement in net book value				
Balance at 1 July 2009	5,667	7,662	1,144	14,473
Reallocation from property, plant & equipment	1,053	-	-	1,053
Additions from business acquisitions	6	-	-	6
Other additions	1,711	-	-	1,711
Disposals	(32)	-	-	(32)
Amortisation expense	(2,219)	-	(213)	(2,432)
Foreign currency translation	(10)	-	8	(2)
Balance at 30 June 2010	6,176	7,662	939	14,777
Additions	1,923	-	-	1,923
Amortisation expense	(2,425)	-	(238)	(2,663)
Write-down of brand value	-	(1,348)	-	(1,348)
Foreign currency translation	(70)	(2,112)	(275)	(2,457)
Balance at 30 June 2011	5,604	4,202	426	10,232

11. Other intangible assets (continued)

	Software $'000	Brand names $'000	Customer contracts $'000	Total $'000
Balances				
As at 30 June 2010				
Cost	12,583	7,662	1,479	21,724
Accumulated amortisation	(6,407)	-	(540)	(6,947)
Net book value	6,176	7,662	939	14,777
As at 30 June 2011				
Cost	14,283	4,202	1,071	19,556
Accumulated amortisation	(8,679)	-	(645)	(9,324)
Net book value	5,604	4,202	426	10,232

Amortisation expense is included in the line item 'Depreciation and amortisation expense' in the Income Statement and disclosed in note 34.

12. Trade and other payables

	2011 $'000	2010 $'000
Trade payables	247,459	269,227
Amounts due to customers under construction contracts (note 7)	-	3,173
Goods and services tax payable	9,968	9,006
Accruals and other payables	49,467	41,547
	306,894	322,953

13. Borrowings

	2011 $'000	2010 $'000
Secured		
Current		
Bank overdrafts [(i)]	9,571	3,216
Bank loans [(i)]	22,729	3,266
Hire purchase contracts [(ii)]	1,348	1,566
Finance lease liabilities [(iii)] (note 25)	1,057	1,430
Total current borrowings[(iv)]	34,705	9,478
Non-current		
Bank loans [(i)]	275,389	258,827
Hire purchase contracts [(ii)]	1,354	2,144
Finance lease liabilities [(iii)] (note 25)	1,975	2,062
Total non-current borrowings[(iv)]	278,718	263,033

(i) Secured by a fixed and floating charge over all tangible assets of the wholly owned subsidiaries of the Group, the current market value of which exceeds the value of the loans.

(ii) Secured by the assets financed, the current market value of which exceeds the value of the liability.

(iii) Secured by the assets leased, the current market value of which exceeds the value of the liability.

(iv) All borrowings are shown at amortised cost.

14. Financing facilities

	2011 $'000	2010 $'000
Secured bank overdraft facility, reviewed annually and payable at call: (ii)		
• amount used (i)	-	-
• amount unused (iii)	18,510	19,311
	18,510	19,311
Secured bank loan facilities with various maturity dates through to 2018 and which may be extended by mutual agreement: (ii)		
• amount used	298,118	262,093
• amount unused (iii)	-	148,670
	298,118	410,763

(i) The Group has a gross overdraft facility contracted by Hastie Holdings Pty Ltd, and although some company accounts in the Group were in overdraft these accounts are subject to an offset arrangement, being set-off against the positive bank balances in the group. As the positive balances exceeded the overdraft balances, the net overdraft facility used is shown as zero.

(ii) The maturity and interest rate risk of financing facilities are disclosed at note 30.

(iii) During the standstill period, facilities limits were set to the used amounts. On 18 July 2011 new syndicated financing facilities came into force, refer the Directors' Report, note 1 "Going Concern" and note 38 "Subsequent Events."

15. Other financial liabilities

	2011 $'000	2010 $'000
Current		
Interest rate swaps (note 30(d))	3,689	4,722
Forward exchange contracts	27	-
Financial Instruments	3,716	4,772
Contingent consideration for business acquisitions	2,597	1,761
	6,313	6,483
Non-current		
Contingent consideration for business acquisitions	-	1,967

16. Provisions

	2011 $'000	2010 $'000
Current		
Employee benefits	45,943	42,895
Warranty	8,252	8,372
Other	3,960	2,172
	58,155	53,439
Non-current		
Employee benefits	3,168	2,905

Movement in provisions :	Warranty 2011 $'000	Other 2011 $'000
Opening balance	8,372	2,172
Additional provisions recognised	3,517	4,031
Reductions due to payments	(3,462)	(1,427)
Foreign currency translation	(175)	(816)

	2011 $'000	2010 $'000
Closing balance	8,252	3,960

17. Issued capital

	2011 $'000	2010 $'000
Opening balance	299,688	290,093
Shares issued for cash	43,504	-
Shares issued pursuant to dividend reinvestment plans	-	9,045
Shares issued pursuant to exercise of rights	123	630
Share issue costs	(3,492)	(114)
Related income tax	868	34
Closing balance	340,691	299,688

	2011 No. '000	2010 No. '000
Fully paid ordinary shares		
Opening balance	239,717	234,085
Shares issued for cash	295,330	-
Shares issued pursuant to dividend reinvestment plans	-	5,366
Shares issued pursuant to exercise of rights	64	266
Closing balance	535,111	239,717

Holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholders' meetings.

The issued shares do not have a par value.

Performance rights

Executives have performance rights on issue, refer note 31, over:

At 30 June 2011, 4,069,213 ordinary shares

At 30 June 2010, 4,682,638 ordinary shares

18. Reserves

	2011 $'000	2010 $'000
Equity Reserve	(5,158)	(1,337)
Foreign currency translation reserve	(53,782)	(2,597)
Pension reserve	(936)	(1,368)
Employee equity-settled benefits reserve	1,920	1,715
Hedging reserve	(2,601)	(3,166)
	(60,557)	(6,753)

Equity reserve

	2011 $'000	2010 $'000
Opening balance	(1,337)	(1,337)
Acquisition of minority interest	(3,821)	-
Closing balance	(5,158)	(1,337)

This reserve arises from changes in the ownership interests of the group's subsidiaries. Where the amount paid to acquire an additional ownership interest in a subsidiary is different to the aggregate of the additional goodwill so recognised and the non-controlling interest in the net assets of the subsidiary previously recognised in respect of that interest, the excess or deficiency is recognised directly in this reserve.

18. Reserves (continued)

	2011 $'000	2010 $'000
Foreign currency translation reserve		
Opening balance	(2,597)	1,463
Translation of foreign operations	(51,185)	(4,060)
Closing balance	(53,782)	(2,597)

This reserve represents exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Australian dollars.

	2011 $'000	2010 $'000
Deferred consideration equity reserve		
Opening balance	-	1,050
Shares purchased	-	(1,050)
Closing balance	-	-

This reserve represented the fair value at award date of options granted to the vendors of an acquired business.

	2011 $'000	2010 $'000
Pension reserve		
Opening balance	(1,368)	(936)
Increase / (decline) in value of pension plan assets	432	(432)
Closing balance	(936)	(1,368)

This reserve represents the change in fair value of the assets of a UK based defined benefit pension scheme for some employees of a business acquired in 2008. The scheme is closed to new members.

	2011 $'000	2010 $'000
Employee equity-settled benefits reserve		
Opening balance	1,715	1,897
Share-based payment	328	520
Transfer to share capital	(123)	(630)
Shares purchased	-	(72)
Closing balance	1,920	1,715

This reserve represents the fair value at award date of performance rights granted to managers of the Hastie Group and brought to account over the vesting period. Amounts are transferred out of the reserve when rights are vested.

	2011 $'000	2010 $'000
Hedging reserve		
Opening balance	(3,166)	(3,233)
Gain / (loss) on recognised :		
Forward exchange contracts	(326)	(2,789)
Interest rate swaps	1,033	2,984
Related deferred tax	(142)	(128)
Closing balance	(2,601)	(3,166)

This reserve represents hedging gains and losses recognised on the effective portion of cashflow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss.

	2011 $'000	2010 $'000

19. (Accumulated losses) / retained earnings

	2011 $'000	2010 $'000
Opening balance	92,734	76,410
(Loss) / profit attributable to owners of the parent	(87,826)	39,835
Dividends paid (note 22)	(9,589)	(23,511)
Closing balance	(4,681)	92,734

20. Non-controlling interests

	2011 $'000	2010 $'000
Opening balance	1,559	1,114
Profit attributable to non-controlling interests	-	743
Dividends paid	(493)	(298)
Retained earnings attributable to owners on acquisition of minority interest	(1,066)	-
Closing balance	-	1,559

21. Earnings per share

(a) Earnings used in calculating earnings per share

	$'000	$'000
For both basic and diluted calculations the earnings used are:		
(Loss) / profit attributable to owners of the parent	(87,826)	39,835

(b) Weighted average number of shares

	No.'000	No.'000
Weighted average number of shares for basic EPS	253,559	247,044
Effect of dilution due to Performance Rights	-	4,378
Weighted average number of shares for diluted EPS	253,559	251,422

(c) Earnings per share

	Cents	Cents
Basic	(34.6)	16.1
Diluted	(34.6)	15.8

As required by AASB 133 'Earnings per Share', to reflect the effect of the Initial Placement to the Cornerstone Investor on 17 June 2011 and the Institutional Entitlement Offer on 28 June 2011:

- the earnings per share for 2011 would have been (36.2) cents based on a simple weighted average number of shares; and
- the earnings per share for 2010 have been restated from the 16.9 cents and 16.6 cents, respectively in the 2010 Financial Report.

22. Dividends

	2011 Cents per share	2011 Total $'000	2010 Cents per share	2010 Total $'000
Recognised amounts:				
Final dividend year ended 30 June 2009	-	-	5.0	11,704
Interim dividend year ended 30 June 2010	-	-	5.0	11,807
Final dividend year ended 30 June 2010	4.0	9,589	-	-
Interim dividend year ended 30 June 2011	-	-	-	-
		9,589		23,511

All dividends were fully franked at 30% tax rate.

Unrecognized amounts:

The company has not declared a dividend since year end.

	2011 $'000	2010 $'000
Franking credits:		
Adjusted franking account balance	110	7,654
Impact on franking account balance of dividends not recognised	-	(4,109)

23. Commitments for expenditure

Capital expenditure commitments	-	-

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 25 to the financial statements.

24. Contingent liabilities

	2011 $'000	2010 $'000
Guarantees established in favour of the ANZ Banking Group, QBE Insurances, HSBC Aust, National Australia Bank, Bank of New Zealand, ANZ National Bank, Ulster Bank, Bank of Ireland, Halifax Bank of Scotland/Bank of Scotland International, Westpac Banking Corporation, Commonwealth Bank of Australia and HSBC Middle East for Guarantees issued to various clients for satisfactory contract performance, secured by cross guarantees from all wholly owned group members.	230,927	184,719
Facility limit in respect of:		
Performance guarantees / Advance payment guarantees / Letters of Credit	230,927	375,178
Financial guarantees	-	-
Total guarantee limit	230,927	375,178

During the normal course of business, entities within the Group incur normal contractors and product liability in relation to contracts which may include claims or litigation by or against the entities. Where the outcome is probable and can be reasonably quantified provision is made in these financial statements.

During the standstill period, facilities limits were set to the used amounts. On 18 July 2011 new syndicated financing facilities came into force, refer the Directors' Report, note 1 "Going Concern" and note 38 "Subsequent Events."

25. Leases

Finance leases

Leasing arrangements

Finance leases relate to motor vehicles and some plant and equipment with lease terms of between 3 to 5 years. The Group has options to purchase the assets at the conclusion of the lease agreements.

Finance lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Payable:				
Not later than 1 year	1,278	1,680	1,057	1,430
Later than 1 year but not later than 5 years	2,178	2,293	1,975	2,062
Minimum lease payments [(i)]	3,456	3,973	3,032	3,492
Less future finance charges	(424)	(481)	-	-
Present value of minimum lease payments	3,032	3,492	3,032	3,492

	2011 $'000	2010 $'000
Included in the financial statements as: (note 13)		
Current borrowings	1,057	1,430
Non-current borrowings	1,975	2,062
	3,032	3,492

[(i)] Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

Operating leases

Leasing arrangements

Operating leases relate to premises with lease terms of between 1 to 6 years, with options to extend for further periods, and motor vehicle leases with terms generally of 3 years.

The Group does not have an option to purchase the leased asset at the expiry of the lease period.

	2011 $'000	2010 $'000
Non-cancellable operating lease payments - Premises		
Payable:		
Not later than 1 year	12,335	10,184
Later than 1 year but not later than 5 years	25,981	28,332
Later than 5 years	2,427	329
	40,743	38,845
Non-cancellable operating lease payments - Other		
Payable:		
Not later than 1 year	9,904	8,197
Later than 1 year but not later than 5 years	16,001	10,934
Later than 5 years	204	-
	26,109	19,131

26. Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest 2011 %	Ownership interest 2010 %
A McFarlane & Company Limited	Northern Ireland	100%	100%
AFA Air Conditioning Pty Limited (i) (ii) (iii)	Australia	100%	100%
Airducter Pty Limited (i) (ii) (iii)	Australia	100%	100%
Aquaheat Industries Limited (i)	New Zealand	100%	60%
Austral International Pty Limited (ii)	Australia	100%	100%
Austral Refrigeration (Qld) Pty Limited (v)	Australia	-	100%
Austral Refrigeration (Suzhou) Co. Ltd	China	100%	100%
Austral Refrigeration Holdings Pty Limited (ii) (iii)	Australia	100%	100%
Austral Refrigeration Pty Limited (ii) (iii)	Australia	100%	100%
Beavis &Bartels Pty Limited (i) (ii) (iii)	Australia	100%	100%
Border Stainless Steel Pty Limited (i) (ii) (iii)	Australia	100%	100%
C A Sothers Limited	England	100%	-
Cobco 925 Limited	England	100%	-
Comcool Refrigeration Pty Limited (ii)	Australia	100%	100%
Comfort Solutions Aust Pty Limited (ii) (iii)	Australia	100%	100%
Cooke & Carrick Pty Limited (i) (ii) (iii)	Australia	100%	100%
Cooke & Carrick (VIC) Pty Limited (ii) (iii)	Australia	100%	100%
Cowley Koolhire Limited	New Zealand	100%	100%
D&E Air Conditioning Pty Limited (ii) (iii)	Australia	100%	100%
D&E Mechanical Services Pty Limited (i) (ii) (iii)	Australia	100%	100%
Direct Engineering Services Pty Limited (ii) (iii)	Australia	100%	100%
Direct Engineering Services Marine & Offshore Pte Ltd	Singapore	100%	100%
Direct Engineering Marine & Offshore Services Pty Limited (i) (ii) (iii)	Australia	100%	100%
Gordon Brothers Industries Pty Limited (ii) (iii)	Australia	100%	100%
Gordon Refrigeration Limited	England	100%	100%
GTS Plumbing (Qld) Pty Limited (i) (ii) (iii)	Australia	100%	100%
Hastie Air Conditioning Pty Limited (ii) (iii)	Australia	100%	100%
Hastie Air Conditioning (ACT) Pty Limited (i) (ii) (iii)	Australia	100%	100%
Hastie Australia Pty Limited (ii) (iii)	Australia	100%	100%
Hastie Group Services Pty Limited (ii) (iii)	Australia	100%	100%
Hastie Engineering Services Private Limited (i)	India	100%	100%
Hastie Finco Pty Limited (i) (ii) (iii)	Australia	100%	100%
Hastie Holdings Pty Limited (ii) (iii)	Australia	100%	100%
Hastie Holdings (NZ) Pty Limited (i)	New Zealand	100%	100%
Hastie India Pty Limited (i) (ii) (iii)	Australia	100%	100%
Hastie International Pty Limited (ii) (iii)	Australia	100%	100%
Hastie International Qatar LLC (iv)	Qatar	49%	49%
Hastie Mechanical Services Pty Limited (ii) (iii)	Australia	100%	100%
Hastie New Zealand Limited	New Zealand	100%	100%
Hastie Refrigeration Limited (vii)	New Zealand	100%	100%
Hastie Saudi Arabia Pty Limited (i) (ii)	Australia	100%	100%
Hastie Oman LLC	Oman	100%	100%
Hastie Services Pty Limited (ii) (iii)	Australia	100%	100%
Hastie Services Limited	New Zealand	100%	-
Hastie (UK) Limited (i)	England	100%	100%
Heyday Group Pty Limited (i) (ii) (iii)	Australia	100%	100%
Interfridge Limited	New Zealand	100%	100%
James + More Pty Limited	Australia	100%	100%
Kysor Warren Australia Pty Limited (v)	Australia	-	100%
Lawrence Refrigeration Pty Limited (ii)	Australia	100%	100%
Longley Mechanical Services Pty Limited (ii) (iii)	Australia	100%	100%
M&H Air Conditioning Pty Limited (ii) (iii)	Australia	100%	100%
Medical Gases Pty Limited (ii) (iii)	Australia	100%	100%
Nisbet & Durney Pty Limited (i) (ii) (iii)	Australia	100%	100%
Norfolk Maintenance Holdings Pty Limited (ii) (iii)	Australia	100%	100%
North Sea Ventilation Limited	England	100%	100%
NSV Engineering Limited	England	100%	100%

26. Subsidiaries (continued)

Optimus Pty Limited (ii) (iii)	Australia	100%	100%
Project Piping Limited	New Zealand	100%	100%
QAL Refrigeration (WA) Pty Limited	Australia	100%	100%
RLH (Gibraltar) Limited	Gibraltar	100%	100%
Rotary Limited	Northern Ireland	100%	100%
Rotary Australia Limited (i) (ii) (iii)	Australia	100%	100%
Rotary Facilities Management Limited	Northern Ireland	100%	100%
Rotary Firematic Limited	Northern Ireland	100%	100%
Rotary (Gibraltar) Limited	Gibraltar	100%	100%
Rotary (Gulf) Limited	Northern Ireland	100%	100%
Rotary (Hong Kong) Limited	Hong Kong	100%	100%
Rotary Humm (M&E) Services Limited	Northern Ireland	100%	100%
Rotary (International)Limited	Northern Ireland	100%	100%
Rotary International Spol Sr.o.	Czech Republic	100%	100%
Rotary M & E Services (Ireland) Limited	Republic of Ireland	100%	100%
Rotary Northern Limited	England	100%	100%
Rotary North West Limited	England	100%	100%
Rotary (Qatar) Limited	Northern Ireland	100%	100%
Rotary (Scotland) Limited	Scotland	100%	100%
Rotary Services Limited	Northern Ireland	100%	100%
Rotary Southern Limited	England	100%	100%
Rotary Yorkshire Limited	England	100%	100%
Sharp & Pendrey Pty Limited (ii) (iii)	Australia	100%	100%
Sharp & Pendrey Services Pty Limited (ii) (iii)	Australia	100%	100%
Sharpen Engineering Pty Limited (ii) (iii)	Australia	100%	100%
Sothers (Holdings) Limited	England	100%	-
Sothers Building Services Limited	England	100%	-
Spectrum Fire & Security Pty Limited(iii)	Australia	100%	100%
Techni Doors Pty Limited (ii)	Australia	100%	100%
Watters Electrical (Aust) Pty Limited (i)(ii)(iii)	Australia	100%	100%

(i) These companies are direct subsidiaries of Hastie Group Limited.

(ii) These companies are members of the tax consolidated group, of which Hastie Group Limited is the head entity.

(iii) These wholly-owned Australian subsidiaries have entered into a deed of cross guarantee with Hastie Group Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare or lodge audited financial statements.

(iv) Whilst the Group owns less than 50% of the shares, pursuant to the management agreement, it controls the Board and management of the entity and is entitled to 70% of its results. Therefore, the results of the entity have been included in the consolidated results for the Group on a proportional basis.

(v) Dormant companies now liquidated.

(vi) Formerly Emac Services Pty Limited

(vii) Formerly Aquaheat Property & Facility Services Limited

(viii) Formerly Hastie Services Limited

The consolidated income statement and statement of financial position of entities which are party to the deed of cross guarantee are:	**2011 $'000**	**2010 $'000**
Income statement		
Revenue	1,441,490	1,218,810
Finance costs	(36,866)	(23,473)
Other expenses	(1,432,236)	(1,156,716)
(Loss) / Profit before tax	(27,612)	38,621
Income tax benefit / (expense)	11,960	(5,947)
(Loss) / Profit for the year	(15,652)	32,674
Other comprehensive income	-	67
Total comprehensive (loss) / income for the year	(15,652)	32,741

26. Subsidiaries (continued)

	2011 $'000	2010 $'000
Retained earnings		
Opening balance	68,959	59,796
Net profit / (loss)	(15,652)	32,674
Dividends paid	(9,589)	(23,511)
Closing balance	43,718	68,959
Statement of financial position		
Current assets		
Cash	58,060	54,625
Trade and other receivables	394,169	366,382
Inventories	37,616	29,589
Current tax assets	7,868	-
Prepayments	4,520	7,817
Other financial assets	-	1,022
Total current assets	502,233	459,435
Non-current assets		
Property, plant and equipment	31,472	36,346
Deferred tax assets	31,425	24,449
Goodwill	248,171	246,943
Other intangible assets	5,252	5,668
Other financial assets	79,756	82,736
Total non-current assets	396,076	396,142
Total assets	898,309	855,577
Current liabilities		
Trade and other payables	190,765	199,883
Borrowings	20,184	2,591
Current tax liabilities	-	4,010
Provisions	49,290	49,915
Other financial liabilities	6,313	6,483
Total current liabilities	266,552	262,882
Non-current liabilities		
Borrowings	248,546	221,334
Provisions	3,168	2,905
Other financial liabilities	-	1,967
Total non-current liabilities	251,714	226,206
Total liabilities	518,266	489,088
Net assets	380,043	366,489
Equity		
Issued capital	340,691	299,688
Reserves	(4,366)	(2,158)
Retained earnings	43,718	68,959
Total equity	380,043	366,489

27. Business acquisitions

(a) Acquisitions during 2011:

Acquisition of CA Sothers

On 1 October 2010 the Hastie Group acquired 100% of the issued share capital of the Sothers (Holdings) Limited Group, trading as CA Sothers, for a cost of $7,340,000.

CA Sothers is a Mechanical and Electrical design and installation business based in Birmingham, UK and was established in 1926.

	$'000
Cost of acquisition comprises	
Cash	5,709
Contingent consideration paid in cash in February 2011	1,631
	7,340
Net cash outflow on acquisition:	
Cash paid	5,709
Less net cash balances acquired	(2,398)
	3,311

	Fair value at acquisition $'000
Cost of acquisition comprises	
Cash	2,398
Trade and other receivables	6,110
Inventories	641
Property, plant and equipment	320
Deferred tax asset	333
Prepayments	223
Trade and other payables	(8,559)
Borrowings	(130)
Current tax payables	(75)
Net assets at date of acquisition	1,261
Goodwill arising on acquisition	6,079
Cost of acquisition	7,340

The acquired Trade and Other Receivables include Gross Contractual Amounts of $6,963,000. Of this amount $853,000 is not expected to be collected.

The Group has paid a premium above net assets of the acquiree as it believes the acquisition will introduce additional synergies to its existing operations, revenue growth, future market development and assembled workforces. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The Group's current year results include Revenue of $22,572,000 and nil EBIT Contribution as a result of this acquisition.

27. Business acquisitions (continued)

Had this business acquisition been effected at 1 July 2010, the estimated revenue of the Group would have been $1,859,049,000, and the estimated loss before interest and tax $59,062,000 The directors of the Group consider these estimated numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and provide a reference point for comparison for future periods, but note that the acquired business was not under Hastie Group guidance or management during the pre-acquisition periods.

	$'000
Acquisition-related costs expensed:	
Re the above acquisition	149
Other	172
	321

Acquisition of minority interest in subsidiary

During the period the Group acquired the remaining 40% interest in Aquaheat Industries Limited, increasing its ownership to 100%.

Net asset value of minority interest acquired	1,066
Movement on equity reserve	3,821
Cash consideration	4,887

(b) Acquisitions during 2010:

Names of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition $'000
Spectrum Fire & Security	Fire & security services	4 May 10	100% of business assets	7,000
Cool-it	Air conditioning installation & service	20 Oct 09	100% of business assets	6,361
Godfrey	Hydraulic services	1 Jul 09	100% of business assets	3,680
James + More	Air conditioning service	17 Nov 09	100%	2,491
A E Smith	Air conditioning service	1 Oct 09	100% of business and related contracts	522
				20,054

	Spectrum $'000	Cool-it $'000	Godfrey $'000	James + More $'000	A E Smith $'000	Total $'000
Cost of acquisition comprises:						
Cash	7,000	4,500	3,680	1,500	363	17,043
Contingent consideration to be paid in cash	-	1,861	-	991	159	3,011
Total	7,000	6,361	3,680	2,491	522	20,054

Net cash outflow on acquisition:	
Cash consideration	17,043
Add net overdraft balances acquired	687
	17,730

27. Business acquisitions (continued)

Assets acquired & liabilities assumed	Spectrum $'000	Cool-it $'000	Godfrey $'000	James + More $'000	A E Smith $'000	Total $'000
Cash	4	(377)	-	(314)	-	(687)
Trade and other receivables	16,720	3,134	388	2,168	-	22,410
Inventories	559	252	39	378	-	1,228
Property, plant and equipment	1,746	408	213	859	16	3,242
Deferred tax assets	1,741	73	113	112	-	2,039
Prepayments	395	17	-	66	38	516
Trade and other payables	(8,328)	(2,346)	(737)	(1,133)	-	(12,544)
Borrowings	-	(314)	-	(1,178)	-	(1,492)
Current tax payables	-	-	-	6	-	6
Provisions	(4,258)	(162)	(376)	(310)	(19)	(5,125)
Net assets at date of acquisition	8,579	685	(360)	654	35	9,593
Goodwill arising on acquisition	-	5,676	4,040	1,837	487	12,040
Gain on acquisition	(1,579)	-	-	-	-	(1,579)
Cost of acquisition	7,000	6,361	3,680	2,491	522	20,054

The acquired Trade and Other Receivables as above included the following:

	Gross Contractual amounts $'000	Amounts not expected to be collected $'000
Spectrum	18,513	1,793
Cool-it	3,134	-
Godfrey	388	-
James + More	2,277	109
	24,312	1,902

	$'000
Acquisition-related costs expensed:	
Re the above acquisitions	1,689
Other	465
	2,154

In each acquisition, except Spectrum, which was acquired at a discount to the net assets, the Group has paid a premium above net assets for the acquiree as it believes the acquisitions will introduce additional synergies to its existing operations, revenue growth, future market development and assembled workforces. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The 2010 results include the following for three of the businesses acquired during the year:

	Revenue $'000	EBIT contribution $'000
Spectrum	17,709	(207)
Cool-it	12,579	857
James + More	9,768	903

28. Jointly controlled operations and assets

Name of entity	Principal activity	Output interest 2011 %	Output interest 2010 %
Kens JV	Installation of air conditioning systems	50	50
Parramatta Justice Centre JV	Installation of air conditioning systems	50	50
Wellington Hospital JV	Installation of air conditioning systems	50	50
Romaha JV	Maintenance of vehicle testing facilities	50	50
RK JV	Installation of building services	50	50
BKG Atlantis JV	Installation of building services	20	20
Zayad University JV	Installation of building services	50	50
Dubai Festival City JV	Installation of building services	50	50
Duhail & Umm JV	Installation of building services	50	50
Traders' Hotel JV	Installation of building services	50	50

The Group's interest in assets employed in the above jointly controlled operations is detailed below, and these amounts are included in the consolidated financial statements under their respective asset categories:

	2011 $'000	2010 $'000
Current assets		
Cash	3,571	7,963
Receivables	8,193	15,727
Inventories	23,007	127
Prepayments	4	-
Total current assets	34,775	23,817
Total assets	34,775	23,817

Contingent liabilities
The contingent liabilities arising from the Group's interests in joint ventures are included in note 24.

29. Cash flows

(a) Reconciliation of (loss) / profit for the year to net cash flows from operating activities

	2011 $'000	2010 $'000
(Loss) / profit for the year	(87,826)	40,578
Gain on sale of property, plant and equipment	(114)	(243)
Depreciation and amortisation	15,070	13,498
Goodwill impairment	69,129	-
Write-off of brand value	1,348	-
Interest received	(459)	(1,009)
Interest and other finance costs paid	34,727	20,931
Equity settled share-based payment	328	520
Non-cash interest expense	-	463
Foreign exchange loss	874	252
(Decrease)/Increase in current tax liability	(10,919)	649
(Increase)/Decrease in deferred tax asset	(1,054)	986
Movements in working capital, net of effects from business acquisitions:		
(Increase)/decrease in assets:		
Trade and other receivables	(8,260)	(80,172)
Inventories	(50,551)	8,161
Prepayments	1,143	(354)
Increase/(decrease) in liabilities:		
Trade and other payables	80	44,591
Provisions	9,298	2,758
Net cash used by operating activities	(27,186)	51,609

(b) Non-cash financing

During the year the Group acquired $1,138,000 of equipment under finance lease facilities. This acquisition will be reflected in the cash flow statement over the terms of the finance leases via lease repayments.

30. Financial instruments

(a) Financial risk management objectives

The Group's finance function provides services to the business, co-ordinates access to domestic financial markets, and manages the financial risks relating to the operations of the Group.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed on a continuous basis.

(b) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign currency risk, in particular foreign currency forward sale and purchase contracts and interest rate swaps.

(c) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group's policy is to hedge all of its project specific foreign exchange rate risk using forward contracts and swaps, except where natural hedges exist. However, the Group does not hedge the impact of exchange rate exposures on intercompany assets and liabilities with foreign subsidiaries.

The carrying amount of the Group's foreign currency denominated monetary intercompany assets and liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2011 FC'000	2010 FC'000	2011 FC'000	2010 FC'000
NZD	20,894	8,108	-	-
GBP	73,922	53,735	-	-
AED	11,374	49,358	-	-
SGD	337	293	-	-
USD	-	-	567	1,892
INR	26,394	13,546	-	-
OMR	229	330	-	-
QAR	-	2,452	766	-
CNY	17,037	-	-	-

Forward currency sensitivity

At reporting date, if the Australian dollar had been 5% higher or lower against all other currencies with all other variables held constant:

- the Group's after tax profit for the year would increase/decrease by $1,867,000 (2010: $1,245,000)
- equity would increase / decrease by $257,000 (2010: $1,093,000)

Forward foreign exchange contracts

It is Group policy to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts for purchase or sales commitments greater than Australian dollars 20,000 in value, which are designated as cash flow hedges.

30. Financial instruments (continued)

This table details the material forward foreign currency contracts outstanding as at reporting date:

Outstanding contracts (AUD)	Average exchange rate		Foreign currency		Contract value		Fair value	
	2011	2010	2011 FC'000	2010 FC'000	2011 AU$'000	2010 AU$'000	2011 AU$'000	2010 AU$'000
Buy British Pound								
Less than 12 months	0.5749	0.5186	2,254	292	3,920	562	(400)	(40)
Buy US Dollar								
Less than 12 months	0.8606	0.8446	1,237	2,066	1,437	2,446	(249)	9
12+ months	-	0.8624	-	401	-	465	-	29
Sell US Dollar								
Less than 12 months	0.5976	0.7375	1,036	5,722	1,734	7,759	755	932
12+ months	-	0.8571	-	1,188	-	1,386	-	(74)

As at reporting date the aggregate amount of unrealised gain under forward foreign exchange contracts deferred in the hedging reserve relating to these anticipated future transactions is $27,000 (2010: $1,022,000).

The earnings and net assets of overseas subsidiaries are not hedged.

(d) Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the use of interest rate swap contracts. It is Group policy to enter into interest rate swap contracts to cover specific interest rate exposure for at least 50% of the aggregate exposure for the subsequent two year period.

At reporting date the Group had the following interest rate exposure:

	2011		2010	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank loans	7.3%	298,118	6.3%	262,093
Bank overdrafts	0.7%	9,571	1.3%	3,216
Cash	0.7%	(71,665)	1.3%	(84,051)
Interest rate swaps (notional principal amount)	5.4%	(165,647)	5.2%	(150,298)
Net exposure to cash flow interest rate risk		70,377		30,960

Interest rate sensitivity

At reporting date, if interest rates had been 5% higher or lower with all other variables held constant:

- the Group's after tax profit for the year would decrease / increase by $748,000 (2010: $458,000), mainly due to interest rates on its variable rate borrowings.
- equity would increase / decrease by $3,332,000 (2010: $71,000) arising from the interest rate swaps.

30. Financial instruments (continued)

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below.

This table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

		Contracted fixed base interest rate		Notional principal amount		Fair value	
Outstanding floating for fixed contracts		**2011 %**	**2010 %**	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**
AUD Swaps	Less than 1 year	0.01%	3.22%	5,000	60,000	-	799
	1 to 2 years	7.41%	-	55,000	-	(2,204)	-
	2 to 5 years	5.2%	7.41%	75,000	55,000	(226)	(3,410)
GBP Swaps	Less than 1 year	-	5.03%	-	17,649	-	(539)
	1 to 2 years	5.03%	-	14,999	-	(996)	-
	2 to 5 years	2.23%	5.03%	7,500	17,649	(124)	(1,572)
USD Swaps	2 to 5 years	1.40%	-	8,148	-	(139)	
				165,647	150,298	(3,689)	(4,722)

Interest rate swap contracts exchanging floating rate interest for fixed rate interest are designated and effective as cash flow hedges in respect of interest rates.

(e) Price risk

The Group has no exposure to equity securities price risk.

The Group's exposure to commodity price risk is immaterial.

(f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade accounts receivable consist of a large number of customers, spread across diverse industries and geographical areas and therefore, the group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The credit risk on trade and other receivables have been detailed in note 6.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

30. Financial instruments (continued)

(g) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

Maturity of financial liabilities

These tables detail the remaining contractual maturity for the financial liabilities and have been drawn up based on the contractual undiscounted cash flows, including future interest payable and based on the remaining period at the balance date to the contractual maturity date.

	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5+ years $'000	Total contractual cash flows $'000
2011							
Non – derivatives							
Trade payables	247,459	-	-	-	-	-	247,459
Bank overdraft	9,571	-	-	-	-	-	9,571
Bank loans	156,384	10,523	102,293	53,840	321	5,477	328,838
Hire purchase contracts	1,341	891	611	127	16	-	2,986
Finance lease liabilities	1,278	1,057	661	319	141	-	3,456
Contingent Consideration	2,650	-	-	-	-	-	2,650
	418,683	12,471	103,565	54,286	478	5,477	594,960
Derivatives	2,497	2,322	(168)	(56)	-	-	4,595
	421,180	14,793	103,397	54,230	478	5,477	599,555
2010							
Non – derivatives							
Trade payables	269,227	-	-	-	-	-	269,227
Bank overdraft	3,216	-	-	-	-	-	3,216
Bank loans	16,738	19,970	180,335	86,922	408	6,432	310,805
Hire purchase contracts	1,765	1,186	616	477	59	-	4,103
Finance lease liabilities	1,680	1,083	762	403	45	-	3,973
Contingent Consideration	1,476	2,650					4,126
	292,626	22,239	181,713	87,802	512	6,432	591,324
Derivatives	2,947	2,025	1,758	-	-	-	6,730
	295,573	24,264	183,471	87,802	512	6,432	598,054

30. Financial instruments (continued)

(h) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Fair value measurement

The fair value of financial instruments and the methods used to estimate the fair values are as follows:

Level 1 - The fair value is calculated using quoted prices in active markets for identical instruments

Level 2 - The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable, either directly (as prices) or indirectly (derived from prices)

Level 3 - The fair value is estimated using inputs that are not based on observable market data

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2011				
Derivative Financial Assets				
Forward exchange contracts	-	(27)	-	(27)
Derivative Financial Liabilities				
Interest rate swaps	-	(3,689)	-	(3,689)
2010				
Derivative Financial Assets				
Forward exchange contracts	-	1,022	-	1,022
Derivative Financial Liabilities				
Interest rate swaps	-	(4,722)	-	(4,722)

(i) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balances.

The Group's overall strategy remains unchanged from 2010. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 13, cash and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in notes 17, 18 and 19, respectively.

31. Performance Rights

This table indicates the series of Performance Rights in existence during the current and previous financial years:

Series	No. of rights	Grant date	Expiry/ exercise date	Exercise price $	Fair Value at date of grant $
Series B	280,130	21 Oct 2005	11 Aug 2010	-	380,845
Series D	794,852	11 Oct 2006	11 Oct 2010	-	1,365,690
Series E	1,230,000	7 Sep 2006	4 Sep 2011	-	2,074,950
Series F	24,236	20 Feb 2007	11 Oct 2010	-	62,195
Series G	579,699	29 Nov 2007	29 Nov 2012	-	1,890,003
Series H	118,540	29 Nov 2007	29 Nov 2012	-	260,454
Series I	74,490	30 Nov 2008	30 Nov 2013	-	37,525
Series J	1,034,545	21 Nov 2008	21 Nov 2013	-	701,410
Series K	60,000	19 Dec 2008	19 Dec 2013	-	25,070
Series L	3,447,078	6 Nov 2009	31 Oct 2013	-	3,671,191
Series M	212,254	25 Jan 2010	31 Oct 2013	-	331,467

Performance rights carry no rights to dividends and no voting rights.

In accordance with their Plan, Performance Rights may be exercised at any time from the date of satisfaction of the vesting criteria ("vesting conditions") to the date of their expiry.

This table reconciles the number of outstanding Performance Rights at the beginning and end of the financial years:

Series	Opening balance	Granted	Exercised	Lapsed	Adjust[(1)]	Closing balance
	No.	No.	No.	No.		No.
2011						
Series B	3,859	-	(3,859)	-	-	-
Series D	59,080	-	(59,080)	-	-	-
Series G	22,169	-	(2,762)	-	-	19,407
Series H	59,911	-	-	-	-	59,911
Series J	971,676	-	-	(125,212)	-	846,464
Series K	64,152	-	-	-	-	64,152
Series L	3,289,537	-	-	(422,512)	-	2,867,025
Series M	212,254	-	-	-	-	212,254
	4,682,638	-	(65,701)	(547,724)	-	4,069,213
2010						
Series B	7,737	-	(4,429)	-	551	3,859
Series D	280,485	-	(140,767)	(96,866)	16,228	59,080
Series E	630,000	-	(673,452)	-	43,452	-
Series F	6,868	-	(3,581)	(3,582)	295	-
Series G	488,000	-	(105,587)	(389,932)	29,688	22,169
Series H	118,540	-	(19,971)	(39,942)	1,284	59,911
Series I	74,490	-	-	(79,630)	5,140	-
Series J	1,031,667	-	-	(115,388)	55,397	971,676
Series K	60,000	-	-	-	4,152	64,152
Series L	-	3,447,078	-	(157,541)	-	3,289,537
Series M	-	212,254	-	-	-	212,254
	2,697,787	3,659,332	(947,787)	(882,881)	156,187	4,682,638

Notes: (1) Adjustment for the effect of 1 for 14.5 rights issue entitlement 6 August 2009

31. Performance Rights (continued)

Details of Performance Rights exercised during the current and previous financial years:

Series	No. of rights exercised & shares issued	Exercise date	Exercise price $	Fair value of shares at date of grant $
2011				
Series B	3,859	26 Nov 2010	-	5,017
Series D	59,080	26 Nov 2010	-	112,091
Series G	2,762	26 Nov 2010	-	10,081
Total	65,701			127,189
2010				
Series B	4,429	20 Nov 2009	-	7,042
Series D	125,076	13 Nov 2009	-	239,057
Series D	2,832	20 Nov 2009	-	5,324
Series D	1,699	27 Nov 2009	-	3,194
Series D	8,700	4 Dec 2009	-	16,507
Series D	2,460	10 Feb 2010	-	4,625
Series E	641,380	11 Aug 2009	-	1,116,001
Series E	32,072	13 Nov 2009	-	54,522
Series F	3,581	13 Nov 2009	-	6,732
Series G	88,503	13 Nov 2009	-	323,036
Series G	7,032	20 Nov 2009	-	25,667
Series G	4,116	27 Nov 2009	-	15,023
Series G	4,105	4 Dec 2009	-	14,983
Series G	1,831	10 Feb 2010	-	6,683
Series H	16,667	13 Nov 2009	-	60,835
Series H	3,304	27 Nov 2009	-	12,060
Total	947,787			1,911,291

The valuation model utilised to value the Performance Rights is the Black-Scholes and Barrier Pricing model. The tables below identify the model input assumptions:

Inputs into the model	Series B	Series D	Series E	Series F
Life of the Performance Right (in days)	3,581	1,826	1,823	1,329
Price of underlying shares at date of issue	$ 1.91	$ 2.28	$ 2.03	$ 3.09
Expected volatility of the share price	21.74%	36.62%	36.83%	34.31%
Dividends expected on the shares	6.97%	4.54%	4.54%	6.00%
Risk free interest rate for the life of Performance Right	5.31%	5.86%	5.86%	5.86%

Inputs into the model	Series G	Series H	Series I	Series J
Life of the Performance Right (in days)	1,827	1,827	1,826	1,826
Price of underlying shares at date of issue	$ 4.35	$ 4.35	$ 1.25	$ 1.45
Expected volatility of the share price	34.46%	34.46%	44.00%	44.00%
Dividends expected on the shares	3.19%	3.19%	16.00%	13.00%
Risk free interest rate for the life of Performance Right	6.31%	6.31%	3.80%	4.00%

31. Performance Rights (continued)

Inputs into the model	Series K	Series L	Series M
Life of the Performance Right (in days)	1,826	1,341	1,268
Price of underlying shares at date of issue	$ 1.11	$ 2.01	$ 1.99
Expected volatility of the share price	44.00%	50.00%	50.00%
Dividends expected on the shares	18.00%	6.10%	6.90%
Risk free interest rate for the life of Performance Right	3.50%	5.20%	4.90%

32. Key management personnel compensation

Details of key management personnel

The directors and other members of key management personnel of the company and the Group during the year were:

- Mr Trevor Bourne — Chairman (non-executive)
- Mr David Harris — Group Managing Director & CEO
- Mr Phillip Anderson — Director (non-executive)
- Mr David Martin — Director (non-executive)
- Mr Harry Boon — Director (non-executive)
- Mr John Gaskell — Director (non-executive)
- Mr Chris Woodward — Finance Director
- Mr David Hammond — CEO Mechanical, Electrical and Plumbing Division
- Mr Joe Farrugia — CEO Services Division
- Ian McGregor — CEO Middle East Division
- Mr Phill Laidlaw — CEO UK Operations
- Mr Jerry Collins — CEO Republic of Ireland and International Operations

Key management personnel compensation

The aggregate of compensation is:

	2011 $	2010 $
Short-term employee benefits	3,268,089	2,992,155
Post-employment benefits	176,230	225,084
Long term benefits	326,735	339,972
Total –payable	3,771,054	3,557,211
Total – paid *	4,185,285	3,723,060

* The total amount paid for 2011 and 2010 includes bonus entitlements for the financial years ended 30 June 2010 and 2009 respectively.

33. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 26.

Equity interests in associates and joint ventures

Details of interests in shares of associates and joint ventures are disclosed in notes 8 and 28.

(b) Key management personnel compensation, options and performance rights

Details of key management personnel compensation, options and performance rights are disclosed in the Directors' Report which accompanies these financial statements.

Information in the report has been prepared in accordance with AASB 124.

(c) Key management personnel shareholdings

Details of the movements in the number of ordinary shares in Hastie Group Limited held during the financial year by each director and each of the key management personnel, including their related parties, are set out below:

Directors	Opening balance	Received during period on exercise of rights	Other changes during year	Closing balance	Changes since year-end	Current balance
2011						
Mr Trevor Bourne	302,639	-	-	302,639	375,000	677,639
Mr David Harris	307,963	-	19,110	327,073	248,070	575,143
Mr David Martin	4,542,420	-	-	4,542,420	1,465,105	6,007,525
Mr Harry Boon	163,003	-	380,744	543,747	532,229	1,075,976
Mr Phillip Anderson	20,284	-	20,000	40,284	114,810	155,094
Mr John Gaskell	20,654	-	29,346	50,000	142,500	192,500
Mr Lindsay Phillips	-	-	-	-	-	-
Mr Chris Woodward	927,999	-	(532,980)	395,019	-	395,019
2010						
Mr Trevor Bourne	285,909	-	16,730	302,639		
Mr David Harris	286,642	16,667	4,654	307,963		
Mr David Martin	4,542,420	-	-	4,542,420		
Mr Harry Boon	163,003	-	-	163,003		
Mr Phillip Anderson	19,162	-	1,122	20,284		
Mr John Gaskell	-	-	20,654	20,654		
Mr Lindsay Phillips	-	-		-		
Mr Chris Woodward	895,999	32,000	-	927,999		

Executives	Opening balance	Received during period on exercise of rights	Other changes during year	Closing balance	Changes since year-end	Current balance
2011						
Mr David Hammond	759,553	-	-	759,553	-	759,553
Mr Joe Farrugia	69,714	-	6,407	76,121	178,571	254,692
2010						
Mr David Hammond	995,590	63,147	(299,184)	759,553		
Mr Joe Farrugia	61,775	3,304	4,635	69,714		

33. Related party disclosures (continued)

(d) Key management personnel performance rights

Details of the movements in the number of performance rights in Hastie Group Limited held during the financial year by each director and each of the key management personnel, including their related parties, are set out below:

Directors	Opening balance	Granted as compensation	Exercised	Lapsed	Closing Balance	Balance vested at 30 June [(i)]	Vested during year
2011							
Mr David Harris	559,554	-	-	-	559,554	-	-
Mr Chris Woodward	229,075	-	-	-	229,075	-	-

(i) All performance rights vested are exercisable at date of vesting

(ii) Since year end and to the date of this report no changes to director's performance rights have taken place

Directors	Opening balance	Granted as compensation	Exercised	Lapsed	Closing Balance	Balance vested at 30 June [(i)]	Vested during year
2010							
Mr David Harris	235,971	373,584	(16,667)	(33,334)	559,554	-	16,667
Mr Chris Woodward	136,651	167,924	(32,000)	(43,500)	229,075	-	32,000

Executives	Opening balance	Granted as compensation	Exercised	Lapsed	Closing Balance	Balance vested at 30 June [(i)]	Vested during year
2011							
Mr David Hammond	197,198	-	-	-	197,198	-	-
Mr Joe Farrugia	197,877	-	-	-	197,877	-	-
Mr Ian McGregor	-	-	-	-	-	-	-
Mr Phill Laidlaw	115,771	-	-	-	115,771	-	-
Mr Jerry Collins	91,219	-	-	-	91,219	-	-

(i) All performance rights vested are exercisable at date of vesting

(ii) Since year end and to the date of this report no changes to executive's performance rights have taken place

Executives	Opening balance	Granted as compensation	Exercised	Lapsed	Closing Balance	Balance vested at 30 June [(i)]	Vested during year
2010							
Mr David Hammond	127,338	154,076	(63,147)	(21,069)	197,198	-	63,147
Mr Joe Farrugia	58,468	149,321	(3,304)	(6,608)	197,877	-	3,304
Mr Ian McGregor	-	-	-	-	-	-	-
Mr Phill Laidlaw	15,000	100,771	-	-	115,771	-	-
Mr Jerry Collins	15,000	76,219	-	-	91,219	-	-

(e) Loans to key management personnel

No loans have been made to any of the key management personnel, including their related parties.

(f) Transactions with other related parties

No key management personnel has entered in to any material contract, loan or other transaction with any entity in the Hastie Group during the year ended 30 June 2011 (2010: nil).

During the year a number of Hastie Directors have been Directors of other Companies, see pages 3 and 4, with whom Hastie Group entities may have business relationships but all such transactions are on normal and arms length terms and conditions.

The Board undertakes a detailed review of related party transactions on a regular basis.

A company, ADR Properties Pty Limited, directly controlled by David Martin, a non - executive director, provided business premises and facilities during the period under normal terms and conditions to a Group entity totaling $220,520 (2010: $221,000).

A company, MQP Investments Pty Limited, of which David Hammond, a key management person, holds a non-controlling interest, provided business premises and facilities during the period under normal terms and conditions to a Group entity totaling $825,279 (2010: $770,556).

33. Related party disclosures (continued)

A company, Lazard Australia Private Equity Pty Ltd, of which Lindsay Phillips, a non – executive director appointed on 4 August 2011, is the Managing Director, received sub-underwriting fees in respect of the Retail Entitlement Offer which opened on 23 June 2011, of $598,000 (2010: $nil).

34. (Loss) / Profit for the year

(Loss) / profit for the year includes the following items of gains/(expenses):

	2011 $'000	2010 $'000
Gain on sale of property, plant & equipment	114	243
Net finance costs (note 4)	(35,142)	(20,637)
Inventory:		
Write-down of inventory to net realisable value	(343)	(213)
Depreciation		
Property, plant and equipment		
Buildings	(201)	(238)
Leasehold improvements	(1,677)	(1,479)
Plant and equipment	(3,079)	(2,803)
Motor vehicles	(2,893)	(2,518)
Office furniture and equipment	(3,655)	(3,048)
	(11,505)	(10,086)
Amortisation		
Leased motor vehicles	(902)	(980)
Software	(2,425)	(2,219)
Customer contracts	(238)	(213)
	(3,565)	(3,412)
Operating lease rental expenses	(22,795)	(16,245)

35. Employee benefit expense

	2011 $'000	2010 $'000
Post employment benefits:		
Defined contribution plans	(30,905)	(26,757)
Share-based payments:		
Equity settled share-based payments	(328)	(520)
Other employee benefits	(522,190)	(445,138)
	(553,423)	(472,415)

36. Remuneration of auditors

	2011 $	2010 $
Auditor of the parent entity		
Audit or review of the financial statements	1,050,909	1,184,429
Other non-audit services:		
- due diligence and acquisition related	-	123,050
- other services	1,114,161	87,125
	2,165,070	1,394,604
Other Auditors		
Audit or review of the financial statements	194,577	338,690
Other non-audit services:	55,583	235,828
	250,160	574,518

The auditor of Hastie Group Limited is Deloitte Touche Tohmatsu.

37. Parent entity information

Information relating to Hastie Group Limited, the parent entity:

	2011 $'000	2010 $'000
Current assets	7,879	12
Total assets	472,680	437,477
Current liabilities	22	4,010
Total liabilities	22	4,010
Shareholders' equity		
Issued capital	456,005	415,002
Employee equity-settled benefits reserve	1,920	1,715
Retained earnings	14,755	16,750
	472,680	433,467
Profit for the year	7,511	26,312
Total comprehensive income for the year	7,511	26,312

The company is part of a security trust deed arrangement with various financiers in respect of all financing arrangements including secured borrowings (note 13) and guarantees (note 24).

Pursuant to ASIC class order 98/1418, the company has entered in to a Deed of Cross Guarantee with most of its wholly owned Australian subsidiaries, as identified in note 26.

38. Subsequent events

On 18 July 2011 Hastie announced the successful completion of the retail component of its fully underwritten 2.85 for 1 accelerated renounceable entitlement offer, raising $73.7 million; which represented the completion of the final stage of the entitlement offer announced on 14 June 2011.

Following receipt of the funds from the retail component of the entitlement offer, on 18 July 2011, Hastie repaid a further $81.1 million to its Banking Group ($106.1 million in aggregate, including $25.0 million repaid in June 2011 out of the proceeds of the institutional component of the entitlement offer) thereby bringing the new syndicated debt facilities in to force. Drawings under these new facilities were then used to repay all previous bilateral debt facilities and all bonds and trade letters of credit issued under bilateral or syndicated standstill facilities were novated to the new syndicated debt facilities; following which the previous bilateral facilities and the syndicated standstill funding agreement, signed on 8 April 2011, were cancelled. From 18 July 2011 Hastie was no longer subject to the terms of the standstill deed entered into on 8 April 2011 and it's relations with its Banking Group are now solely governed by the terms of the new syndicated debt facilities signed on 8 June 2011.

On 22nd July 2011 at Hastie's Extraordinary General Meeting shareholders voted in favor of the conditional placement totaling $42.8 million, where the funds, net of equity raising fees and costs, were received on 26 July 2011 and used to further pay down debt. This represented the completion of the final stage of Hastie's $160 million equity raising.

On 11 August 2011 an offer to participate in the Hastie Group Share Purchase Plan was dispatched to existing Australian and New Zealand shareholders on the register as at 7pm (Sydney time) on 5 August, inviting each of them to participate up to a maximum amount of $15,000, based on a share price of $0.14 per share. The offer will close at 5pm (Sydney time) on 1 September 2011, with shares allotted on 12 September 2011.

39. General information

Hastie Group Limited is a listed public company, incorporated in Australia, and operating primarily in Australia, United Kingdom, New Zealand, and United Arab Emirates.

Its registered office and principal place of business is Level 5, 20 Highgate Street, Auburn NSW 2144.

Additional Stock Exchange information

Number of holders of equity securities as at 15 August 2011

Ordinary share capital

1,367,511,426 fully paid ordinary shares are held by 9,951 individual shareholders.

All issued ordinary shares carry one vote per share.

Performance rights

4,069,213 performance rights are held by 75 individual holders.

Performance rights do not carry a right to vote.

Distribution of holders of equity securities

	Ordinary shares		Performance rights	
	Number	%	Number	%
1 - 1,000	1,463	14.7	1	1.3
1,001 - 5,000	2,832	28.5	2	2.7
5,001 - 10,000	1,670	16.8	-	-
10,001 - 100,000	3,376	33.9	63	84.0
100,001 and over	610	6.1	9	12.0
	9,951	100.0	75	100.0
Holding less than a marketable parcel	3,582	36.0		

Substantial shareholders

Ordinary shareholders	Ordinary shares	
	Number	%
Lazard Australia Private Equity	341,728,338	25.0
Perennial Growth Management	154,221,214	11.3
Thorney Investments	131,276,726	9.6
Schroder Investment Management	105,724,199	7.7
	732,950,477	53.6

Additional stock exchange information (Cont'd)

Twenty largest holders of quoted equity securities

	Ordinary shares	
	Number	%
Citicorp Nominees Pty Limited	153,127,781	11.2
CWC COFA Pty Limited <CWC Corp Opportunity 1A A/C>	137,592,507	10.1
CWC COFB Pty Limited <CWC Corp Opportunity 1B A/C>	137,592,507	10.1
JP Morgan Nominees Australia Limited	118,280,588	8.6
UBS Nominees Pty Limited	108,361,369	7.9
National Nominees Limited	99,167,168	7.2
HSBC Custody Nominees (Australia) Limited	83,560,868	6.1
JP Morgan Nominees Australia Limited <Cash Income A/C>	69,906,624	5.1
CWC Investors Pty Limited <CWC Investment Unit A/C>	30,576,112	2.2
Masfen Securities Limited	29,203,196	2.1
Cogent Nominees Pty Limited	20,209,447	1.5
CWC COFA Pty Limited <CWC Corporate Opportunity 1A Trust A/C>	16,185,245	1.2
CWC COFB Pty Limited <CWC Corporate Opportunity 1B Trust A/C>	16,185,245	1.2
Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	6,285,403	0.5
Queensland Investment Corporation	5,003,090	0.4
P & T Carrick <Carrick Family S/Fund A/C>	3,850,000	0.3
UBS Wealth Management Australia Nominees Pty Limited	3,738,507	0.3
CWC Investors Pty Limited <CWC Investment Unit Trust A/C>	3,596,722	0.3
Peveril Investments Pty Limited	3,387,451	0.2
Klip Pty Limited >Beirne Super Fund A?C>	3,074,419	0.2
	1,048,882,249	76.7

Company secretary
Anne Griegg

Registered office
Level 5,
20 Highgate Street,
Auburn NSW 2144

Share registry
Link Market Services Limited