

HASTIE GROUP LIMITED

ABN 76 112 803 040

## **NOTICE OF ANNUAL GENERAL MEETING**

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The Annual General Meeting of the Members of Hastie Group Limited (the Company) will be held at AGL Theatre, Museum of Sydney, Cnr Bridge and Phillip Streets, Sydney, NSW on Thursday 3 November 2011 at 10.00am.

### **ORDINARY BUSINESS**

#### **Accounts and Reports**

To receive and consider the Financial Report of the Company and its controlled entities and the reports of the Directors and Auditors for the year ended 30 June 2011.

#### **Remuneration Report**

##### **Resolution 1**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“THAT the Remuneration Report for the financial year ended 30 June 2011 be adopted.”*

Note – the vote on this resolution is advisory only and does not bind the Directors or the Company.

#### **Election of Non-Executive Director**

##### **Resolution 2**

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*“THAT Mr Lindsay Phillips, who retires in accordance with rule 6.1(e) of the Company’s Constitution, is elected as a Director.”*

#### **Re-election of Non-Executive Director**

##### **Resolution 3**

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*“THAT Mr Phillip Anderson, who retires in accordance with rule 6.1(f) of the Company’s Constitution, be re-elected as a Director.”*

#### **Re-election of Non- Executive Director**

##### **Resolution 4**

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*“THAT Mr John Gaskell, who retires in accordance with rule 6.1(f) of the Company’s Constitution, be re-elected as a Director.”*

### **SPECIAL BUSINESS**

#### **Consolidation of Shares**

##### **Resolution 5**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“THAT, in accordance with section 254(H) of the Corporations Act, and with effect on and from 14 November 2011, the share capital of the Company be consolidated through the conversion of every ten (10) fully paid ordinary shares in the Company on issue into one (1) fully paid ordinary share in the Company and that any resulting fractions of a share be rounded up to the next whole number of shares.”*

#### **Renewal of Proportional Takeover Approval Provisions**

##### **Resolution 6**

To consider and, if thought fit, to pass the following resolution as a special resolution:

*“THAT the proportional takeover approval provisions contained in rule 14 of the Company’s constitution be renewed for a further 3 years from the date of this resolution.”*

## Voting Exclusion Statement – Resolution 1

A vote must not be cast (in any capacity) on Resolution 1 by or on behalf of a member of the Company's key management personnel, details of whose remuneration are included in the Remuneration Report ("KMP"), or their closely related parties, whether as a shareholder or as a proxy. However, a vote may be cast on Resolution 1 by a KMP, or a closely related party of a KMP, if:

- the vote is cast by them as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 1; and
- the vote is not cast on behalf of a KMP or a closely related party of a KMP.

Pursuant to a declaration made by the Australian Securities and Investments Commission, a vote may also be cast on Resolution 1 by the Chairman of the Annual General Meeting, if:

- the vote is cast by the Chairman as a proxy appointed by writing that does not specify how the proxy is to vote on Resolution 1;
- the appointment expressly authorises the Chairman to exercise the proxy; and
- the vote is not cast on behalf of a KMP or a closely related party of a KMP.

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 1 and all other items of business.

## OTHER BUSINESS

To transact any other business which may be lawfully brought forward in accordance with the Constitution and the Corporations Act.

## Proxies

A Shareholder entitled to attend and vote at the meeting has the right to appoint a proxy to attend and vote instead of the member. The proxy need not be a member of the Company.

A Shareholder who is entitled to cast 2 or more votes may appoint not more than 2 proxies and may specify the proportion or number of votes that each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes (disregarding fractions).

Under recent amendments to the Corporations Act, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at the meeting;
  - the appointed proxy is not the chair of the meeting;
  - at the meeting, a poll is duly demanded on the resolution; and
  - either the proxy is not recorded as attending the meeting or the proxy does not vote on the resolution,
- the Chairman of the Meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

A form for the appointment of a proxy is enclosed with this Notice.

The Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 10.00am (Sydney time) on 1 November 2011, being no later than 48 hours before the commencement of the Annual General Meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:

- By posting, delivery or facsimile to Hastie Share Registry as follows:  
Hastie Share Registry  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235
- Facsimile: 02 9287 0309
- Delivering it to Level 12, 680 George Street, Sydney, NSW 2000
- By electronic lodgement online at Link Market Services' website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) in accordance with the instructions provided on the website. You will need your Security Reference Number (SRN) to lodge your proxy online (located under the barcode on your Proxy Form).


## ANNUAL REPORT

Hastie has made its Annual Report and Shareholder Review available to shareholders on its website, at [www.hastiegroup.com.au/Investors/Reports.aspx](http://www.hastiegroup.com.au/Investors/Reports.aspx)

## DETERMINATION OF ENTITLEMENTS TO ATTEND AND VOTE

The Company has determined in accordance with Corporations Regulation 7.11.37 that the Shareholding of each Shareholder for the purpose of ascertaining the voting entitlements at the meeting will be as it appears in the Share Register at 7pm (Sydney time) on 1 November 2011.

BY ORDER OF THE BOARD



**Anne Griegg**  
Company Secretary  
30 September 2011

## **EXPLANATORY STATEMENT**

### **IMPORTANT NOTICE**

This Explanatory Statement is an explanation of, and contains information about, the items of business to be considered at the Annual General Meeting and is set out in the accompanying Notice of Annual General Meeting to assist Shareholders to determine how they wish to vote on the Resolutions.

Shareholders should read this Explanatory Statement in full. This Explanatory Statement forms part of, and should be read together with, the accompanying Notice of Annual General Meeting.

If you have any questions or queries in relation to the items of business, you may contact the Company Secretary on +61 2 9714 4600. If you are in doubt about what to do in relation to the Resolutions, you should consult your financial or other professional advisor.

Words or expressions used in the Notice of Annual General Meeting and in this Explanatory Statement are defined in the Glossary. Unless otherwise stated, all references to sums of money '\$' and 'dollars' are references to Australian currency.

### **Statements and the Reports of the Directors and Auditors for the year ended 30 June 2011**

Under the Corporations Act, the Directors are required to place before the meeting the Financial Report and associated reports of the Directors and the Auditors for the financial year ended 30 June 2011. No resolution is required for this item of business. However, Shareholders will have an opportunity at the meeting to ask questions about, or make comments on, these reports and the management of the Company.

The Company's auditors will also be available to take Shareholders' questions about the conduct of the audit, the Independent Auditor's Report, the Company's accounting policies and the independence of the auditors in relation to the conduct of their audit.

The Company's Annual Report (which includes the Financial Report and associated reports of the Directors and the Auditors) is available on the Company's website at <http://www.hastiegroup.com.au/Investors/Reports.aspx>

### **Resolution 1 - Remuneration Report**

In accordance with the Corporations Act, the Board is presenting the Company's Remuneration Report for the year ended 30 June 2011 for consideration and adoption. The Remuneration Report forms part of the Directors' Report and is set out in the 2011 Annual Report.

The Remuneration Report:

- explains the Company's remuneration policies and their relationship with the Company's performance;
- contains the remuneration details of the Directors and specified executives of the Hastie Group; and
- explains the incentive arrangements in place for the Company's executives.

The vote on this resolution is advisory only and does not bind the Directors or the Company. A reasonable opportunity for Shareholders to ask questions about or comment on the Remuneration Report will be given at the meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report.

### **Resolution 2 - Election of Non-Executive Director Mr Lindsay Phillips**

Mr Lindsay Phillips –Non-Executive Director

In accordance with the Constitution, Mr Phillips retires as a Director with effect from the conclusion of the meeting but, being eligible, offers himself for election.

Mr Phillips was appointed a director of Hastie Group Limited on 4 August 2011. Mr Phillips is Managing Director of Lazard Australia Private Equity Pty Ltd which he has managed (with John Wylie and Mark Carnegie) since 2007. He 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, Mr Phillips was a Chartered Accountant with PricewaterhouseCoopers for 7 years in Perth, Sydney and London. Mr Phillips 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.

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

The Board (other than Mr Phillips) unanimously recommends that Shareholders vote in favour of Mr Phillips' election.

### **Resolution 3 - Re-election of Non-Executive Director Mr Phillip Anderson**

Mr Phillip Anderson – Independent Non-Executive Director

In accordance with the Constitution, Mr Anderson retires as a Director with effect from the conclusion of the meeting but, being eligible, offers himself for re-election.

Mr Anderson was appointed a director of Hastie Holdings Pty Ltd 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. He was subsequently re-elected to the Board of Hastie Group Limited at the 2005 and 2008 Annual General Meetings.

Prior to his appointment as a director of the Company, Mr. Anderson spent 15 years with the Lend Lease Group in 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, Mr. Anderson spent 15 years with Hooker Corporation in varying roles including deputy CEO for LJ Hooker Ltd and Hooker Housing Group.

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

The Board (other than Mr Anderson) unanimously recommends that Shareholders vote in favour of Mr Anderson's election.

### **Resolution 4 - Re-election of Non-Executive Director Mr John Gaskell**

Mr John Gaskell - Independent Non-Executive Director

In accordance with the Constitution, Mr Gaskell also retires as a Director with effect from the conclusion of the meeting but, being eligible, offers himself for re-election.

Mr Gaskell 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.

Mr Gaskell 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. He 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.

Mr Gaskell is a member of the Remuneration and Nomination Committees.

The Board (other than Mr Gaskell) unanimously recommends that Shareholders vote in favour of Mr Gaskell's election.

### **Resolution 5 - Consolidation of Shares**

Section 254H of the Corporations Act permits a company to consolidate all or any of its shares if the consolidation is approved by an ordinary resolution of the company's shareholders at a general meeting.

The Company proposes to consolidate the Company's share capital through the conversion of every ten (10) Shares into one (1) Share.

#### ***Treatment of fractions of shares***

Where the consolidation of a Shareholder's holding results in an entitlement to a fraction of a Share, the fraction will be rounded up to the next whole number of Shares.

#### ***Timing***

If the consolidation is approved, the consolidation will take effect on and from 14 November 2011.

#### ***Reasons for proposing the consolidation***

Following the completion of the Company's recapitalisation earlier this year, the Company has 1,369,040,011 ordinary shares on issue as at the date of this Explanatory Statement. Compared to the Company's peers listed on the ASX, this is a very high number of shares on issue having regard to its market capitalisation.

The Board believes that the share consolidation:

- is likely to improve the market perception and attractiveness of investing in the Company;
- will establish a share price that is more appropriate for a listed entity of the Company's size; and
- is likely to reduce the volatility of the Company's share price.

### ***Effect of the consolidation***

The proposed consolidation will have the effect of reducing the number of the ordinary Shares on issue from approximately 1,369 million Shares to approximately 136.9 million Shares.

As the share consolidation will apply equally to all Shareholders, each Shareholder's holding will be reduced in the same ratio as the total number of Shares (subject to the rounding of fractions of shares). The share consolidation should not materially affect the percentage interest of each Shareholder and, of itself, will not directly impact on the Company's market capitalisation.

The aggregate value of each Shareholder's holding should not change (subject to the rounding of fractions of shares) solely as a result of the share consolidation. However, the price per share can be expected to increase to reflect the reduced number of Shares on issue.

The actual effect of the share consolidation on the per Share market price will depend on a number of factors outside the Company's control. The Company is not able to predict other market movements or impacts on the price of the Shares after the share consolidation.

As at the date of this Explanatory Statement, Performance Rights issued to eligible key employees of the Hastie Group under the Company's Performance Rights Plan are the only convertible securities on issue. Under the Rules of the Plan, these Performance Rights will be consolidated in the same ratio as the ordinary shares.

### ***Taxation implications***

The summary in this section below is of a general nature only. Particular taxation implications will depend on each Shareholder's individual circumstances. Therefore, Shareholders should seek their own professional advice in relation to their tax position. Neither the Company nor any of its officers, employees or advisers assumes any liability or responsibility for advising Shareholders about the effect of the proposed share consolidation on their individual tax position.

If Shareholders remain the beneficial owners of the original and newly consolidated Shares in the same proportions, there should be no capital gains tax event as a result of the share consolidation and therefore there will be no taxation implications for Shareholders.

### ***Holding Statements***

From the date of the share consolidation, all existing holding statements for the Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-consolidation basis. After the share consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders.

### ***No other material information***

Other than as set out in this Explanatory Statement and as previously disclosed to Shareholders, there is no other information that is known to the Directors which may reasonably be expected to be material to the making of a decision by Shareholders whether or not to vote in favour of the share consolidation.

### ***Directors' recommendation***

The Board unanimously recommends that Shareholders vote in favour of the resolution to consolidate the Shares. Each Director intends to vote all Shares held or controlled by him in favour of the proposed share consolidation.

### ***Timetable for Consolidation***

Last day of trading on a pre-consolidated basis	4 November 2011
First day of trading on a post-consolidated basis (on a deferred settlement basis)	7 November 2011
Last day to register transfers on a pre-consolidation basis	11 November 2011
First day to register transfers on a post-consolidated basis Share consolidation takes place	14 November 2011
Date for dispatch of new holding statements	18 November 2011
Normal T+3 trading in consolidated shares commences	21 November 2011
Settlement of trades conducted on a deferred settlement basis and first settlement of trades conducted a normal T+3 basis	24 November 2011

*These dates are indicative and may change.*

## **Resolution 6 - Renewal of Proportional Takeover Approval Provisions**

Rule 14 of the Constitution contains proportional takeover approval provisions which enable the Company to refuse to register shares acquired under a proportional takeover bid unless a resolution is passed by the shareholders in general meeting approving the offer. These provisions, which conform with the requirements of the Corporations Act, will cease to apply on 23 October 2011 (being the end of the 3 year renewal period approved by Shareholders at the Annual General Meeting held on 23 October 2008). However, they may be renewed with the approval of Shareholders by special resolution. An explanation of the proportional takeover approval provisions and the related information required to be provided to Shareholders under the Corporations Act is set out below.

### ***What is a proportional takeover bid?***

A proportional takeover bid is a takeover offer sent to all Shareholders but only in respect of a specified portion of each Shareholder's shares. Accordingly, if a Shareholder accepts in full the offer under a proportional takeover bid, it will dispose of the specified portion of its shares in the Company and retain the balance of the shares.

### ***Effect of the rule to be renewed***

If rule 14 is renewed and a proportional takeover offer is subsequently made to Shareholders, the Board will be required to convene a meeting of Shareholders to vote on a resolution to approve the proportional takeover. That meeting must be held at least 15 days before the offer under the proportional takeover bid closes.

The resolution shall be taken to have been passed if a majority of shares voted at the meeting, excluding the shares of the bidder and its associates, vote in favour of the resolution. If no resolution is voted on at least 15 days before the close of the offer, the resolution will be deemed to have been passed. If the resolution is rejected, then in accordance with the Corporations Act the offer will be deemed to be withdrawn. Acceptances will be returned and any contracts formed by acceptances will be rescinded.

### ***Reasons for proposing the resolution***

The Directors consider that Shareholders should have the opportunity to renew rule 14. Without rule 14, a proportional takeover bid for the Company may enable effective control of the Company to be acquired without Shareholders having the opportunity to dispose of all their shares to the bidder. Accordingly, Shareholders could be at risk of passing control to the bidder without payment of an adequate control premium for all their shares whilst leaving themselves as part of a minority interest in the Company.

Without rule 14, if there was proportional takeover bid and Shareholders considered that control of the Company was likely to pass, Shareholders would be placed under pressure to accept the offer even if they did not want control of the Company to pass to the bidder. Renewing rule 14 will make this situation less likely by permitting Shareholders to decide whether a proportional takeover bid should be permitted to proceed. If it does proceed, individual Shareholders can make a separate decision as to whether they wish to accept the offer for a proportion of their shares.

### ***No knowledge of present acquisitions proposals***

As at the date on which this Explanatory Statement was prepared, no Director is aware of a proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

### ***Potential advantages and disadvantages for the Directors and shareholders of the Company***

The renewal of rule 14 will enable the Directors to formally ascertain the views of Shareholders in respect of a proportional takeover bid.

Without such provisions, the Directors are dependent upon their perception of the interest and views of Shareholders. Other than this advantage, the Directors consider that the renewal of rule 14 has no potential advantages or potential disadvantages for them as they retain the ability to make a recommendation on whether a proportional takeover offer should be accepted.

The Directors consider that renewing rule 14 will benefit all Shareholders in that they will have an opportunity to consider a proportional takeover bid and then to vote on the proposal.

As to the possible disadvantages to Shareholders of renewing rule 14, it may be argued that it makes a proportional takeover bid more difficult and that proportional takeover bids will be discouraged. This may reduce the opportunities which Shareholders may have to sell all or some of their shares at a premium to persons seeking control of the Company and may reduce any takeover speculation element in the Company's share price. Rule 14 may also be considered an additional restriction on the ability of individual Shareholders to deal freely in their shares.

The Directors consider that there are no other advantages and disadvantages for Directors and Shareholders which arose during the period during which the proportional takeover approval provisions have been in effect, other than those outlined above.

On balance, the Directors consider that the possible advantages outweigh the possible disadvantages such that renewal of rule 14 is in the interests of Shareholders. Accordingly, they unanimously recommend that Shareholders vote in favour of the resolution to renew rule 14.

## GLOSSARY

In this Explanatory Statement:

**Annual General Meeting or meeting** means the annual general meeting of the Company convened under the Notice of Meeting to which this Explanatory Statement is attached.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691.

**Board** means the board of Directors of the Company.

**closely related party** has the same meaning as is section 9 of the Corporations Act.

**Company** or **Hastie** or **Hastie Group** means Hastie Group Limited ABN 76 112 803 040.

**Constitution** means the constitution of the Company.

**Corporations Act** means the Corporations Act 2001(Cth).

**Director** means Director of the Company.

**Notice of Annual General Meeting** means the notice of Annual General Meeting that this Explanatory Statement accompanies and in which the Resolutions are set out.

**Resolutions** means the resolutions referred to in the Notice of Annual General Meeting and **Resolution** means any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means the holder of a Share.

# 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 <sup>1</sup>	5.5	7.0	7.0	5.0	-
Final dividend cents per share <sup>1,2</sup>	6.0	9.0	5.0	4.0	-
Basic earnings per share <sup>3</sup>	17.5	26.1	30.9	16.1	(34.6)
Diluted earnings per share <sup>3</sup>	17.0	25.5	30.5	15.8	(34.6)

<sup>1</sup> Franked to 100% at 30% corporate income tax rate.

<sup>2</sup> Declared in respect of the period but after the balance date so reflected as a payment in the financial statements of the following year.

<sup>3</sup> 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 <sup>1</sup>		
		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 <sup>2</sup> 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

<sup>1</sup> These amounts are based on 'maximum' performance being achieved as set out in contracts of employment.

<sup>2</sup> 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 <sup>1</sup>		FY2011 <sup>2</sup>	
	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 <sup>3</sup> 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

<sup>1</sup> In respect of the 2010 financial year and to be paid in the 2011 financial year.

<sup>2</sup> 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.

<sup>3</sup> 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	Long Term	Total
		\$	employment	\$	
		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
<b>Total</b>	<b>2011</b>	<b>608,812</b>	<b>35,188</b>	–	<b>644,000</b>
	<b>2010</b>	<b>509,232</b>	<b>66,768</b>	–	<b>576,000</b>

Senior Executives remuneration

		Short-term \$		Post employment \$	Long Term Benefits \$		Total \$
		Salaries	Bonus Payable <sup>1,2</sup>	Super- annuation	Deferred Share Plan	Performance rights <sup>4</sup>	
Mr David Harris	2011	700,000	-	50,000	-	125,645	875,645
	2010	635,000	210,000	50,000	55,385 <sup>3</sup>	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 <sup>5</sup>	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
<b>TOTAL</b>	2011	<b>2,933,490</b>	<b>299,060</b>	<b>211,769</b>	<b>-</b>	<b>326,735</b>	<b>3,771,054</b>
	2010	<b>2,334,004</b>	<b>658,151</b>	<b>225,084</b>	<b>55,385</b>	<b>284,587</b>	<b>3,557,211</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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 <sup>1</sup>	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

<sup>1</sup> 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:

		<b>Rights granted Value at grant date \$</b>	<b>Rights exercised Value at exercise date <sup>(1)</sup> \$</b>	<b>Rights lapsed Value at time of lapse \$</b>	<b>Value of rights included in remuneration for the year <sup>(2)</sup> \$</b>
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
<b>TOTAL</b>	<b>2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>326,735</b>
	<b>2010</b>	<b>1,072,447</b>	<b>276,656</b>	<b>317,198</b>	<b>284,587</b>

<sup>1</sup> 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.

<sup>2</sup> 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 <sup>1</sup>	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 <sup>2</sup>	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

<sup>1</sup> Mr David Harris has tendered his resignation, refer Directors' Report.

<sup>2</sup> 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