

NORFOLK GROUP LIMITED
APPENDIX 4E – PRELIMINARY FINAL REPORT
YEAR ENDING 31 MARCH 2011

Results for announcement to the market

Financial Results	March 2011 \$'000	March 2010 \$'000	Change \$'000	Change %
Revenue from continuing operations	915,743	769,578	146,165	19%
Earnings before interest and tax from continuing operations	32,345	30,438	1,907	6%
Net Profit from continuing operations	21,099	18,298	2,801	15%
Net Profit attributable to members	19,082	17,325	1,757	10%

Dividends	Amount per Security	Franked Amount per Security
Final Dividend	2 cents	nil
Previous Corresponding Period	N/A	N/A
Record Date for Determining Entitlement:	15 July 2011	
The directors have declared a final dividend of 2 cents in relation to the year ending 31 March 2011.		
There is currently no dividend reinvestment plan in operation.		

Explanation of Results
Earnings before interest and tax from continuing operations for the year ending 31 March 2011 was \$32,345,000, representing a 6% increase from the year ending 31 March 2010. (refer to note 16)
Please refer to the attached Consolidated Financial Statements and notes and the attached Results Announcement for the year ended 31 March 2011 for further explanation of results.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011

	Note	Group 2011 \$'000	Group 2010 \$'000
Revenue from continuing operating activities	3	915,743	769,578
Other income		248	1,585
Expenses			
Cost of sales		(785,308)	(653,123)
Selling and distribution costs		(40,972)	(34,356)
Marketing expenses		(532)	(401)
Occupancy expenses		(8,185)	(8,376)
Administrative expenses		(48,244)	(44,003)
Finance costs		(3,731)	(6,047)
Profit before income tax		29,019	24,857
Income tax expense		(7,920)	(6,559)
Profit from continuing operations		21,099	18,298
Profit/(Loss) from discontinued operations		(2,083)	(959)
Profit for the year		19,016	17,339
Other Comprehensive Income			
Translation of foreign operations		(585)	(500)
Changes in the fair value of cash flow hedges		(54)	1,188
Tax effect of changes in the fair value of cash flow hedges		38	(356)
Total other comprehensive income/(expense) for the year, net of tax		(601)	332
Total comprehensive income for the year		18,415	17,671
Profit is attributable to:			
Minority interests		(66)	14
Equity holders of the company		19,082	17,325
		19,016	17,339
Total Comprehensive Income for the year is attributable to:			
Minority interests		(66)	14
Equity holders of the company		18,481	17,657
		18,415	17,671

		Cents	Cents
Basic earnings per share from continuing operations	10	13.32	13.67
Diluted earnings per share from continuing operations	10	13.31	13.56
Basic earnings per share	10	12.01	12.95
Diluted earnings per share	10	12.00	12.85

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

BALANCE SHEET

AS AT 31 MARCH 2011

	Note	Group 2011 \$'000	Group 2010 \$'000
Current assets			
Cash and cash equivalents		25,069	15,877
Trade and other receivables	4	180,158	166,225
Inventories	5	8,775	4,769
Total current assets		214,002	186,871
Non-current assets			
Derivative financial instruments		-	67
Property, plant and equipment		13,543	15,897
Intangibles		48,303	46,140
Deferred tax		8,065	18,468
Total non-current assets		69,911	80,572
Total assets		283,913	267,443
Current liabilities			
Trade and other payables	7	167,176	155,862
Borrowings	8	10,982	11,269
Income tax		2,976	3,501
Derivative financial instruments		3	390
Provisions		6,714	6,204
Total current liabilities		187,851	177,226
Non-current liabilities			
Borrowings	8	4,087	15,337
Provisions		2,100	2,139
Total non-current liabilities		6,187	17,476
Total liabilities		194,038	194,702
Net assets		89,875	72,741
Equity			
Contributed equity	9	264,065	264,065
Reserves	11	(224,100)	(221,935)
Retained profits	12	49,907	30,542
Parent entity interest		89,872	72,672
Minority interest		3	69
Total equity		89,875	72,741

The above balance sheet should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

	Contributed Equity	Reserves	Retained profits	Parent interest	Minority Interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
Balance 1 April 2009	243,919	(222,994)*	13,217	34,142	55	34,197
Total comprehensive income for the year	-	332	17,325	17,657	14	17,671
Transactions with owners in their capacity as owners						
Proceeds from the issue of shares	20,801	-	-	20,801	-	20,801
Share issue costs	(655)	-	-	(655)	-	(655)
Share-based payments	-	727	-	727	-	727
Balance 31 March 2010	264,065	(221,935)	30,542	72,672	69	72,741
Balance 1 April 2010	264,065	(221,935)	30,542	72,672	69	72,741
Total comprehensive income/(expense) for the year	-	(601)	19,082	18,481	(66)	18,415
Transactions with owners in their capacity as owners						
Share purchases to satisfy vested sales bonus rights	-	(1,202)	-	(1,202)	-	(1,202)
Transfers between reserves	-	(283)	283	-	-	-
Share-based payments	-	(79)	-	(79)	-	(79)
Balance 31 March 2011	264,065	(224,100)	49,907	89,872	3	89,875

*Refer to note 11 Equity Reserves

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

	Note	Group 2011 \$'000	Group 2010 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		998,959	872,076
Payments to suppliers (inclusive of GST)		(968,011)	(835,976)
		30,948	36,100
Interest received		405	466
Other revenue		378	876
Interest and other finance costs paid		(2,921)	(5,486)
Income taxes refunded/(paid)		2,481	(5,863)
Net cash inflow/(outflow) from operating activities	15	31,291	26,093
Cash flows from investing activities			
Proceeds from sale of businesses		2,152	3,133
Payments for property, plant and equipment		(11,319)	(9,059)
Proceeds from sale of property, plant and equipment		796	862
Net cash inflow/(outflow) from investing activities		(8,371)	(5,064)
Cash flows from financing activities			
Proceeds from issue of shares		-	20,801
Payments for shares acquired by Norfolk Employee Share Trust to satisfy vested sales bonus rights		(1,202)	-
Payment of share issue costs		-	(936)
Repayment of borrowings (net)		(10,244)	(36,811)
Repayment of finance lease liabilities		(2,062)	(1,143)
Net cash inflow/(outflow) from financing activities		(13,508)	(18,089)
Net increase/(decrease) in cash and cash equivalents		9,412	2,940
Effect of exchange rate changes on cash and cash equivalents		(220)	(326)
Cash and cash equivalents at the beginning of the financial period		15,877	13,263
Cash and cash equivalents at the end of the financial period		25,069	15,877

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

Note 1. Basis of Preparation

This report is based on the consolidated financial statements of Norfolk Group Limited and its subsidiaries for the year ending 31 March 2011. These financial statements are in the process of being audited.

This report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The principle accounting policies adopted in the preparation of this report are consistent with those disclosed in the Financial Report of Norfolk Group Limited and its subsidiaries for the year ending 31 March 2010.

Note 2. Segment information – continuing operations

2011	O'Donnell Griffin (formerly Electrical & Communications)	*Haden (formerly Mechanical)	Resolve (formerly Fire & Property Services)	Corporate Services	Intersegment eliminations/ unallocated	Total continuing operations
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	\$'000					
Sales to external customers	578,695	264,915	71,350	-	-	914,960
Intersegment sales	2,121	766	627	-	(3,514)	-
Other revenue	282	269	10	222	-	783
Total revenue	581,098	265,950	71,987	222	(3,514)	915,743
Other income	185	73	(10)	-	-	248
Total segment revenue	581,283	266,023	71,977	222	(3,514)	915,991
Segment result	36,272	3,501	3,995	(10,523)	-	33,245
Impairment of goodwill	-	(900)	-	-	-	(900)
Total segment result	36,272	2,601	3,995	(10,523)	-	32,345
Finance costs (net)						(3,326)
Profit before income tax expense						29,019
Income tax expense						(7,920)
Profit after income tax expense						21,099
Segment assets	160,326	84,629	18,066	330,604	(309,712)	283,913
Total assets						283,913
Segment liabilities	125,256	44,313	15,447	23,535	(14,513)	194,038
Total liabilities						194,038
Depreciation and amortisation expense	5,964	1,399	254	975	-	8,592

*Building Products New Zealand has been reclassified to Haden from Resolve.

Note 2. Segment information – continuing operations (continued)

2010	O'Donnell Griffin (formerly Electrical & Communications)	*Haden (formerly Mechanical)	Resolve (formerly Fire & Property Services)	Corporate Services	Intersegment eliminations/ unallocated	Total continuing operations
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	403,480	304,300	60,922	-	-	768,702
Intersegment sales	2,725	1,316	549	-	(4,590)	-
Other revenue	361	159	19	337	-	876
Total revenue	406,566	305,775	61,490	337	(4,590)	769,578
Other income	1,431	75	79	-	-	1,585
Total segment revenue	407,997	305,850	61,569	337	(4,590)	771,163
Segment result - other	23,496	14,748	1,421	(9,227)	-	30,438
Total segment result	23,496	14,748	1,421	(9,227)	-	30,438
Finance costs (net)						(5,581)
Profit before income tax expense						24,857
Income tax expense						(6,559)
Profit after income tax expense						18,298
Segment assets	123,382	98,190	22,220	326,990	(303,339)	267,443
Total assets						267,443
Segment liabilities	109,479	61,217	12,998	18,014	(7,006)	194,702
Total liabilities						194,702
Depreciation and amortisation expense	3,476	1,660	355	514	-	6,005

*Building Products New Zealand has been reclassified to Haden from Resolve.

The consolidated entity has chosen to organise the entity around differences in products and services and the reportable segments above have been identified as they each represent a component of the entity that engages in business activities from which they earn revenues or incur expenses. In addition, discrete financial information is available for each segment above and their operating results are regularly reviewed by senior management to assess performance and make resource allocation decisions.

Geographical segment

The consolidated entity operates in three geographical segments: Australia, New Zealand and Other.

	Sales to external customers 2011	Segment non current assets 2011
	\$'000	\$'000
Australia	841,866	61,013
New Zealand	70,059	6,862
Other	3,818	2,036
	915,743	69,911

	Sales to external customers 2010	Segment non current assets 2010
	\$'000	\$'000
Australia	677,998	76,039
New Zealand	87,497	4,393
Other	4,083	140
	769,578	80,572

Note 3. Revenue

	Group 2011	Group 2010
	\$'000	\$'000
From continuing operations		
Sales revenue	914,960	768,702
Interest received	405	466
Other revenue	378	410
Revenue from continuing operations	915,743	769,578

Note 4. Current assets – trade and other receivables

	Group 2011	Group 2010
	\$'000	\$'000
Trade receivables	115,536	118,080
Less: Provision for impairment of receivables	(1,137)	(1,925)
	114,399	116,155
Other receivables	2,335	833
Unbilled contract works	58,962	43,463
Prepayments	4,462	5,774
	180,158	166,225

Bad and doubtful trade receivables

The consolidated entity has recognised a loss of \$822,000 (2010: \$1,019,000 loss) in respect of bad and doubtful trade receivables during the year ended 31 March 2011. The loss has been included in 'administrative expenses' in the statement of comprehensive income.

Note 5. Current assets – inventories

	Group 2011	Group 2010
	\$'000	\$'000
Finished goods – at cost	9,914	5,689
Less: Provision for obsolescence	(1,139)	(920)
	8,775	4,769

Write downs of inventory to net realisable value recognised as an expense during the year ended 31 March 2011 amounted to \$281,000 (2010: \$174,000).

Contracts in progress is made up as follows:

	Group 2011	Group 2010
	\$'000	\$'000
Contract costs incurred plus recognised profits less recognised losses	734,116	654,890
Less: Progress billings	(715,994)	(657,065)
	18,122	(2,175)
Contract work billed in advance	(40,840)	(45,638)
Unbilled contract works	58,962	43,463
	18,122	(2,175)

Note 6. Net Assets backing

	Group 2011 Cents	Group 2010 Cents
Net tangible asset backing per ordinary security	26.16	16.74
Net asset backing per ordinary security	56.56	45.78

Note 7. Current liabilities – trade and other payables

	Group 2011	Group 2010
	\$'000	\$'000
Trade Payables	73,736	70,909
Contract work billed in advance	40,840	45,638
Employee benefits	29,917	26,374
Other payables	22,683	12,941
	167,176	155,862

Note 8. Borrowings

	Group 2011	Group 2010
	\$'000	\$'000
Bank loans	10,000	10,000
Facility costs	(942)	(874)
Lease liabilities	804	1,028
Other borrowings	1,120	1,115
Total borrowings - current	10,982	11,269
Bank loans	4,791	15,035
Facility costs	(942)	(1,774)
Lease liabilities	238	2,076
Total borrowings - non current	4,087	15,337

The Australian and New Zealand entities within the Group are jointly and severally liable for the above facilities and the facilities are secured by charges on the assets of the Australian and New Zealand entities within the Group.

Note 9. Equity – contributed

	Group 2011 Shares	Group 2011 \$'000	Group 2010 Shares	Group 2010 \$'000
Ordinary shares – fully paid	158,890,730	264,065	158,890,730	264,065

Note 10. Earnings per share

	Group 2011	Group 2010
	\$'000	\$'000
Profit from continuing operations	21,099	18,298
Loss/(Profit) from continuing operations attributable to minority interests	66	(14)
Profit from continuing operations attributable to members of Norfolk Group Limited used in calculating earnings per share	21,165	18,284
Profit/(loss) from discontinued operations	(2,083)	(959)
Profit attributable to members of Norfolk Group Limited used in calculating earnings per share	19,082	17,325
Weighted average number of ordinary shares used in calculating basic earnings per share	158,890,730	133,754,578
Adjustments for calculation of diluted earnings per share:		
Options	117,573	1,114,228
Weighted average number of ordinary shares used in calculating diluted earnings per share	159,008,303	134,868,806
	Cents	Cents
Basic earnings per share from continuing operations	13.32	13.67
Diluted earnings per share from continuing operations	13.31	13.56
Basic earnings per share	12.01	12.95
Diluted earnings per share	12.00	12.85

Note 11. Equity – reserves

	Group 2011	Group 2010
	\$'000	\$'000
Foreign currency reserve	(1,047)	(456)
Share-based payments reserve	1,190	2,754
Hedging reserve – cash flow hedges	(50)	(40)
Common control reserve	(224,193)	(224,193)
	(224,100)	(221,935)

	Foreign Currency \$'000	Share Based Payments \$'000	Hedging Reserve \$'000	Common Control \$'000	Group \$'000
Balance at 1 April 2010	(456)	2,754	(40)	(224,193)	(221,935)
Currency translation differences	(591)	-	6	-	(585)
Changes in fair value of cash flow hedges	-	-	(54)	-	(54)
Tax effect of changes in the fair value of cash flow hedges	-	-	38	-	38
Share based payments	-	(79)	-	-	(79)
Transfer to retained profits	-	(283)	-	-	(283)
Share purchases to satisfy vested sales bonus rights	-	(1,202)	-	-	(1,202)
At 31 March 2011	(1,047)	1,190	(50)	(224,193)	(224,100)
Balance at 1 April 2009	44	2,027	(872)	(227,519)	(226,320)
Restatement *	-	-	-	3,326	3,326
As restated at 1 April 2009	44	2,027	(872)	(224,193)	(222,994)
Currency translation differences	(500)	-	-	-	(500)
Changes in fair value of cash flow hedges	-	-	1,188	-	1,188
Tax effect of changes in the fair value of cash flow hedges	-	-	(356)	-	(356)
Share based payments	-	727	-	-	727
At 31 March 2010	(456)	2,754	(40)	(224,193)	(221,935)

*Restatement adjustment

A tax matter relating to the Norfolk Group of Companies prior to their acquisition by Norfolk Group Limited on 21 June 2007 was identified during the year. The impact of this matter at both 1 April 2009 and 31 March 2010 was to reduce the income tax liability and the common control reserve by \$3,326,000. This adjustment does not impact the results and earnings per share for years ended 31 March 2010 and 31 March 2011.

Note 12. Equity – retained profits

	Group 2011	Group 2010
	\$'000	\$'000
Retained profits at the beginning of the financial year	30,542	13,217
Profit/(loss) after income tax (expense)/benefit	19,082	17,325
Transfers from Share Based Payment Reserve	283	-
Dividends	-	-
Retained profits at the end of the financial year	49,907	30,542

Note 13. Contingent liabilities

	Group 2011	Group 2010
	\$'000	\$'000
Bank guarantees	50,438	51,195
Insurance bonds	2,207	1,114
	<u>52,645</u>	<u>52,309</u>

Total bank guarantee facilities as at 31 March 2011 were \$80,000,000 (2010: \$60,000,000) and the unused portion was \$29,562,000 (2010: \$8,805,000). The insurance facilities as at 31 March 2011 were \$10,000,000 (2010: \$10,000,000) and the unused portion was \$7,793,000. (2010: \$8,886,000).

Note 14. Events occurring after balance date

On 25 May 2011 the directors of the Company declared an unfranked dividend of 2 cents on each of the issued ordinary shares of the Company. The dividend will be payable on 29 July 2011 to shareholders of record on 15 July 2011.

Apart from the dividend and the uncertain tax matter discussed in Note 17, no other matter or circumstance has arisen since 31 March 2011 that has significantly affected, or may significantly, affect the consolidated entity's operations in future financial years, the results of those operations in future financial years, or the consolidated entity's state of affairs in future financial years.

Note 15. Reconciliation of profit(loss) after income tax to net cash flows from operating activities

	Group 2011	Group 2010
	\$'000	\$'000
Profit after income tax (expense)/benefit	19,016	17,339
Depreciation and amortisation	8,592	6,005
Impairment of goodwill	900	-
Net loss/(profit) on sale of non-current assets	(250)	(224)
Net loss/(profit) on sale of businesses	1,514	(1,314)
Share-based payments	(79)	727
Non-cash interest charges	764	-
Unrealised (gain)/loss on derivatives	(342)	93
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(17,910)	3,769
(Increase)/decrease in inventories	(4,803)	2,453
(Increase)/decrease in deferred tax assets	10,130	31
(Increase)/decrease in prepayments	1,312	(1,001)
Increase/(decrease) in trade and other payables	12,478	(643)
Increase/(decrease) in provision for income tax	(520)	148
Increase/(decrease) in employee benefits	71	70
Increase/(decrease) in other provisions	418	(1,360)
Net cash inflow/(outflow) from operating activities	<u>31,291</u>	<u>26,093</u>

Note 16. Reconciliation of earnings before interest and tax from continuing operations

	Group	Group
	2011	2010
	\$'000	\$'000
Profit before income tax	29,019	24,857
Finance costs	3,731	6,047
Interest received	(405)	(466)
Earnings before interest and tax from continuing operations	32,345	30,438

Note 17. Uncertain Tax Position

Norfolk Group Limited lodged a request with the Australian Tax Office on 21 April 2011 for amendments to historical tax returns that would result in tax refunds and benefits to the combined value of \$30.8 million. The requests have been made as a result of 2010 tax law amendments relating to the treatment of certain assets when acquired entities become part of a tax consolidated group.

Norfolk expects to be eligible for up to \$11.8 million in cash refunds and a further \$19.0 million in current and future year's tax benefits.

The Board of Taxation has recently commenced a review of the tax law amendments. It is possible that this review and any consequent amendments made to the tax consolidation legislation could impact the claims made by Norfolk in the amended tax returns.

Due to the uncertainty created by the Board of Taxation review, the potential benefits have not been recognised at 31 March 2011.