



***FINEST IN THE FIELD***

Established 1877

**2011 ANNUAL REPORT**



FINEST IN THE FIELD

# *John Shearer (Holdings) Limited*

(A.B.N. 38 007 643 085)

*A member of the Arrowcrest Group of Companies*

## ***Directors***

Andrew William Gwinnett, FAMI, MSAE, (Chairman)  
Allen Elliot Bolaffi, ACA  
Cheng Huah Hong, B. Eng. (MU)

## ***Secretary***

Allen Elliot Bolaffi, ACA

## ***Bankers***

National Australia Bank Limited  
22-28 King William Street  
Adelaide South Australia 5000

## ***Auditors***

Ernst & Young  
121 King William Street  
Adelaide South Australia 5000

## ***Registered Office & Principal Place of Business***

Share Street  
Kilkenny South Australia 5009  
Telephone (08) 8268 9555  
International 61 8 8268 9555  
Facsimile (08) 8268 4099  
Website Address [www.johnshearer.com.au](http://www.johnshearer.com.au)

## ***Share Register Office***

Computershare Investor Services Pty. Ltd.  
Level 5, 115 Grenfell Street  
Adelaide South Australia 5000

## ***Stock Exchange Listing***

John Shearer (Holdings) Limited  
Shares are listed on the  
Australian Stock Exchange

## ***Notice of Annual General Meeting***

The Annual General Meeting of John Shearer  
(Holdings) Limited

**Will be held at** Share Street Kilkenny

**Time** 12:30 pm

**Date** Friday 28 October 2011

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## ***CHAIRMAN'S FOREWORD***

Dear Shareholder,

The financial year ended June 30, 2011 was a difficult year for JSHL as it was for most manufacturing enterprises across Australia.

The strength of the Australian Dollar caused a greater inflow of foreign made imports and placed considerable pressure on margins in Shearers' areas of business. In spite of this your company remained cash positive through the period and produced a pre-tax profit of \$740k on total revenues of \$30.597 million which were slightly ahead of the previous year. The pre-tax profit was affected by a cost of \$295k for a contractor incident which occurred several years ago and without which the result would have been comparable with the previous year.

Looking forward your Board sees another difficult year resulting from the much reported "two speed economy", where demand constraints appear to be limiting economic growth, outside of mining, and where consumers are holding back on purchasing decisions because of fears about future economic circumstances.

Our manufacturing operation in China has been gradually expanding and your Directors are hopeful that this activity will assist our bottom line in due course.

Your Board joins other manufacturing companies in warning Federal and State Governments about the serious issues facing manufacturers in this country and the growing costs and impositions being placed on enterprise.

Countries like Germany and Japan who lack natural resources would never have allowed their manufacturing sector to unwind as it has in Australia. Should there be a serious contraction in demand for Australian natural resources sometime in the future, this country will pay a heavy price for neglecting manufacturing. That said, your Board is doing everything it can to protect its markets and business and maintains strong cash reserves to help navigate the difficult waters expected again this financial year.

There will be changes to your Board this year owing to the retirement of Mr. Gary Reuter who has served for many years. Announcements on the appointment of new directors will be made shortly.

A fully franked dividend of 6 cents per share will be paid on 30 September 2011.

As always your Board very much values the ongoing commitment of dealers, staff and customers.

Andrew W. Gwinnett  
CHAIRMAN



## ***JOHN SHEARER (HOLDINGS) LIMITED*** ***DIRECTORS' REPORT***

Your Directors present their report on the consolidated entity consisting of John Shearer (Holdings) Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

### ***Information on Directors***

The following persons were directors of John Shearer (Holdings) Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

<b>Director</b>	<b>Experience</b>	<b>Special Responsibilities</b>
<b>A.W. Gwinnett FAMI, MSAE</b>	Director and Chairman of the Shearer Group of Companies for 23 years. Chairman of Arrowcrest Group for the past 18 years and Director for 39 years.	
<b>A.E. Bolaffi ACA</b>	Non-executive Director for 16 years. Company Secretary of Shearer Group for 4 years. Partner in own accounting practice. Director of several other private companies. Deputy Chairman of Shearer Group for 3 years.	Chairman of Audit Committee
<b>C.H. Hong B.Eng. (MU)</b>	Non Executive Director for 3 years. Previously Managing Director of the Shearer Group of Companies for 18 years, and also Managing Director of Arrowcrest Group for 15 years.	
<b>G.D. Reuter</b>	Non Executive Director for 7 years. Previously John Shearer Director for 14 years and Director of Arrowcrest for 22 years. (Retired on 23 June 2011).	Member of Audit Committee

### ***Principal Activities***

During the year the principal continuing activities of the consolidated entity constituted by John Shearer (Holdings) Limited and the entities it controlled from time to time during the year consisted of the distribution of agricultural machinery, mobile bulk handling equipment and industrial steel shelving and storage systems.

There have been no significant changes in the nature of these activities during the year.



### ***Dividends - John Shearer (Holdings) Limited***

The 2010 final dividend of 6.0 cents fully franked per paid share was approved by shareholders and an amount of \$740,374 was paid in cash on 13 October 2010.

An interim dividend of 6.0 cents fully franked per paid share was paid in cash on 16 March 2011, for a total amount of \$740,374.

A final dividend of 6.0 cents fully franked per paid share is declared by the Directors in respect of the year ended 30 June 2011.

### ***Review of Operations***

A summary of consolidated revenues and results by significant industry segments is set out below:

	<b>Segment Revenues</b>		<b>Segment Results</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Agricultural Machinery and Transport Equipment	<b>5,323</b>	5,386	<b>119</b>	44
Steel Shelving and Storage Systems	<b>26,475</b>	25,194	<b>664</b>	1,099
Inter-segment Eliminations	<b>(1,201)</b>	(622)	<b>(43)</b>	(69)
	<b><u>30,597</u></b>	<u>29,958</u>	<b><u>740</u></b>	<u>1,074</u>
Profit Before Income Tax Expense			<b>740</b>	1,074
Income Tax Expense			<b>(355)</b>	(426)
Profit After Income Tax Expense			<b><u>385</u></b>	<u>648</u>
Non-controlling interest			<b>(8)</b>	(7)
Net profit attributable to members of John Shearer (Holding) Ltd			<b><u>393</u></b>	<u>655</u>

A discussion of the overall results for the period ended 30 June 2011 is provided in the Chairman's Foreword.

### ***Earnings per Share***

	<b>2011</b>	<b>2010</b>
	<b>cents</b>	cents
Basic earnings per share	<b>3.1</b>	5.3
Diluted earnings per share	<b>3.1</b>	5.3
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings per share.	<b>12,339,571</b>	12,339,571

### ***Significant Changes in the State of Affairs***

Other than matters reported in this Directors' Report, there were no changes in the state of affairs of the consolidated entity during the financial year.

### ***Matters Subsequent to the End of the Financial Year***

In the opinion of the Director's, there is at the date of this report no matter or circumstance arisen since 30 June 2011 that has significantly affected or may significantly affect -

- (i) the operations, in financial years subsequent to 30 June 2011, of the consolidated entity constituted by John Shearer (Holdings) Limited and the entities it controls from time to time; or
- (ii) the results of those operations; or
- (iii) the state of affairs, in financial years subsequent to 30 June 2011, of that consolidated entity.

### ***Likely Developments and Expected Results of Operations***

In the opinion of the directors, further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.



### ***Environmental Regulation***

The consolidated entity holds necessary environmental licences for its manufacturing sites in all relevant Australian States.

### ***Directors' Interests***

The interests of each director in the share capital of the entity or in a related entity, and contained in the register of directors' shareholdings of the entity as at the date of this report, are set out on pages 46 and 47 of the Annual Report. The numbers of shares in the company held during the financial year by each director of John Shearer (Holdings) Limited and each of the three executives of the consolidated entity, including their personally-related entities, are set out in Note 22: 'Related Parties'.

### ***Meetings of Directors***

The following table sets out the numbers of meetings of the company's directors (including meetings of committees of directors) held during the year ended 30 June 2011, and the numbers of meetings attended by each director.

	Full Meetings Of Directors	Audit Committee
Number of meetings held	11	2
Number of meetings attended by:		
A. E. Bolaffi	11	2
A. W. Gwinnett	10	*
C. H. Hong	11	*
G. D. Reuter (Retired on 23 June 2011)	11	2

\* Not a member of the relevant committee

### ***Directors***

Mr. C. H. Hong, director retiring by rotation who, being eligible, offers himself for re-election.

### ***Remuneration Report (audited)***

The remuneration of the Executive Directors and Non-Executive Directors is set by the Chairman of Directors and ratified by the Board of Directors, having regard to the maximum aggregate remuneration as considered as part of a non-binding vote by the Shareholders at the Annual General Meeting.

#### **Directors**

The following persons were directors of John Shearer (Holdings) Limited during the financial year:

#### ***Chairman***

A. W. Gwinnett

#### ***Directors***

A. E. Bolaffi – Non-Executive Director

C. H. Hong – Non-Executive Director

G. D. Reuter – Non-Executive Director (Retired on 23 June 2011)

#### **Executives (other than directors) with the greatest authority for strategic direction and management**

The following persons were the four executives with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year;

<b>Name</b>	<b>Position</b>	<b>Employer</b>
B. Graham	General Manager	Brownbuilt Pty Ltd
R. Smith	Operations Manager – Eastern Division	Brownbuilt Pty Ltd
P. Rayias	Financial Controller	Brownbuilt Pty Ltd

All of the above persons were also specified executives during the year ended 30 June 2010. These executives are also considered the Key Management Personnel of the consolidated entity.

#### **Remuneration of directors and executives**

##### ***Principles used to determine the nature and amount of remuneration***

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered.



## **Remuneration Report (audited)**

### *Executive and non-executive directors*

Fees and payments to executives and non-executive directors reflect the demands which are made on, and the responsibilities of the directors. Executive and non-executive directors' fees and payments are reviewed annually by the Board. Non-executive directors do not receive share options.

### *Directors' Fees*

The current base remuneration was last reviewed with effect from 1 July 2009.

Executive and non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$200,000pa in total.

### *Executive pay*

The executive pay and reward framework has two components:

- Base pay benefits such as directors' fees
- Other remuneration such as fringe benefits and superannuation

The combination of these comprises the executive's total remuneration.

### *Base Pay*

Base pay is structured as a total employment cost package which is delivered in cash.

Executives are offered a competitive base pay that comprises the fixed component of pay. Base pay for senior executives is reviewed annually. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases fixed in any senior executives' contracts.

### *Benefits*

Executives receive benefits such as car fringe benefits.

### *Retirement benefits*

Retirement benefits are delivered under a range of different superannuation funds. These funds provide accumulated benefits.

### *Executive contractual arrangements*

As Directors are not employees of the company, there are no contractual agreements.

Remuneration arrangements for other Executives are formalised in employment agreements. Details of these contracts are provided below.

All other Executives have contracts with unspecified ending date. The contracts are continuing unless terminated by either party.

Standard Key Management Personnel termination provisions are as follows:

	Notice period	Payment in lieu of notice
Employer-initiated termination	4 weeks or 6 weeks if aged 45 or more	4 weeks or 6 weeks if aged 45 or more
Termination for serious misconduct	None	None
Employee-initiated termination	4 weeks or 6 weeks if aged 45 or more	4 weeks or 6 weeks if aged 45 or more

### **Details of remuneration**

Details of the remuneration of each director of John Shearer (Holdings) Limited and each of the four specified executives of the consolidated entity, including their personally-related entities, are set out in the following tables.



## Remuneration Report (audited)

Directors of John Shearer (Holdings) Limited

2011	Short Term Benefits			Post-employment	Long Term Benefits	Total
	Name	Cash Salary \$	Directors' fees \$	Non-monetary benefits \$	Super-annuation \$	
	A. E. Bolaffi	—	30,000	—	—	30,000
	A. W. Gwinnett	—	40,000	—	3,600	43,600
	C. H. Hong	—	40,000	—	3,600	43,600
	G. D. Reuter	—	15,000	—	1,350	16,350
	Total	—	125,000	—	8,550	133,550

Total remuneration of directors of John Shearer (Holdings) Limited for the year ended 30 June 2010 is set out below:

2010	Short Term Benefits			Post-employment	Long Term Benefits	Total
	Name	Cash Salary \$	Directors' fees \$	Non-monetary benefits \$	Super-annuation \$	
	A. E. Bolaffi	—	30,000	—	—	30,000
	A. W. Gwinnett	—	40,000	—	3,600	43,600
	C. H. Hong	—	40,000	—	3,600	43,600
	G. D. Reuter	—	15,000	—	1,350	16,350
	Total	—	125,000	—	8,550	133,550

Specified executives of the consolidated entity

2011	Short Term Benefits		Post-employment	Long Term Benefits	Total	
	Name	Cash Salary and fees \$	Non-monetary benefits \$	Super-annuation \$		Long Service Leave \$
	B. Graham	275,999	17,148	24,000	6,400	323,547
	P. Rayias	134,500	8,008	24,639	3,250	170,397
	R. Smith	131,741	11,742	17,754	3,550	164,787
	Total	542,240	36,898	66,393	13,200	658,731



**Remuneration Report (audited)**

Total remuneration of specified executives for the year ended 30 June 2010 is set out below.

2010 Name	Short Term Benefits		Post-employment	Long Term Benefits	Total
	Cash Salary and fees \$	Non-monetary benefits \$	Super-annuation \$	Long Service Leave \$	
P. Rayias	186,153	8,055	39,156	3,250	236,614
B. Graham	165,087	5,981	15,477	4,103	190,648
R. Smith	134,426	11,827	17,815	3,550	167,618
C. M. Hobby	101,936	12,749	9,900	2,450	127,035
Total	587,602	38,612	82,348	13,353	721,915

The board believes that its remuneration policy is appropriate when the consideration is given to shareholder wealth for the current year and the previous four years.

The financial summary on page 57 shows the gross revenue, profits and dividends for the last five years for the entity.



### ***Proceedings on behalf of the company***

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

### ***Directors' Benefits***

Since the date of the last Directors' Report, no Director has any interest in any contract or proposed contract with the Company.

Since 30 June 2010, the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a remuneration benefit included in the Remuneration Report in the Directors' Report) by reason of a contract made or proposed by the Company or a related corporation with the Director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest, except as noted below and elsewhere in this report.

### ***Insurance of Officers***

During the financial year the Parent Company entered into insurance contracts which indemnify Directors and Officers of the Company and its controlled entities against liabilities. Disclosure of both the amount of the premium and nature of the liability is confidential under the terms of the policy.

### ***Non-audit Services***

There are no non-audit services.



### ***Auditor's Independence Declaration***

The auditor's independence declaration under section 307C is set out on page 10 of the Annual Report.

### ***Rounding of Amounts***

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

### ***Auditor***

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.

A.E. BOLAFFI  
Director  
Adelaide, South Australia

27 September 2011

## **Auditor's Independence Declaration to the Directors of John Shearer (Holdings) Limited**

In relation to our audit of the financial report of John Shearer (Holdings) Limited for the year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Alan Herald'.

Alan Herald  
Partner  
Adelaide  
27 September 2011



## ***CORPORATE GOVERNANCE STATEMENT***

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

### ***Board of Directors and its Committees***

#### ***Role of the Board***

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

#### ***Board Process***

To assist in the execution of its responsibilities, the Board has established an Audit Committee. Given the size of the organisation, the role of Nomination and Remuneration Committee is undertaken by the Board itself. There are written mandates and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly monitored. The Board has also established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds scheduled meetings during the year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific matters that may arise. The agenda for meetings is prepared by the Company Secretary. Standing items include the Reports on each segment's operations from the operational manager responsible for the segments performance, financial reports, future strategy and other compliance matters as required.

Executives are regularly involved in board discussions and Directors have other opportunities, including visits to operations, for contact with a wider group of employees.

The Board reviews its processes to ensure that it is able to carry out its functions in the most effective manner.

#### ***Composition of the Board***

The names of the Directors of the company in office at the date of this Statement are set out in the Directors' Report on page 2 of this financial report.

The composition of the Board is determined using the following principles -

- A minimum of three Directors, with a broad range of expertise both nationally and internationally.
- Enough Directors to serve on various committees without overburdening the Directors or making it difficult for them to fully discharge their responsibilities.
- At each Annual General Meeting one-third of the Directors or, if their number is not a multiple of three, then the number nearest but not exceeding one-third shall retire from office by rotation. The Directors to retire each year will be those Directors who have served the longest since their last election.

An independent Director is a Director who is not a member of management and who:

- Is not a substantial shareholder of the company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the company,
- Has not within the last three years been employed in an executive capacity by the company or another group member, or been a Director after ceasing to hold any such employment,
- Within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the company or another group member,
- Is not a significant supplier or customer of the company or another group member, or an officer of or otherwise associated, directly or indirectly with a significant supplier or customer,
- Has no material contractual relationship with the company or another group member, other than as a Director of the company, and
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the company.

A majority of the board members are non-executive but not independent. The Chairman and another director of the company are not independent directors. The board believes that these directors are able and do bring quality and independent judgement to all relevant issues falling within the scope of their respective roles.



### ***Conflict of Interest***

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the company. Where the Board believes that significant conflict exists, the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. The Board has developed procedures to assist Directors to disclose potential conflicts of interest. Details of Director related entity transactions with the Company and consolidated entity are set out in the Remuneration Report in the Directors' Report or in the notes to the financial statements.

### ***Nomination Committee***

The Board of Directors acts as the Nomination Committee and oversees the appointment and induction process for Directors. The Chairman proposes a short list of candidates with the appropriate skills and experience, which is then presented to the full Board. Where appropriate, external consultants can be engaged to assist in this process. The full Board will approve, by a unanimous vote, the most suitable candidate. The Board must sanction appointees to the Advisory Committees to management. The newly appointed member of the Board must then stand for election at the next Annual General Meeting of the Company.

The performance of all Directors is reviewed by the Chairman each year.

### ***Director Education***

New Directors are educated about the nature of the business, current issues, the corporate strategy and the expectations of the consolidated entity concerning performance of Directors. Directors also have the opportunity to visit consolidated entity facilities and meet with management to gain a better understanding of business operations.

### ***Director Dealings in Company Shares***

Directors and senior management may acquire shares in the Company, but are prohibited from dealing in Company shares:

- For a period from 31 December and 30 June to the release of the Company's half-year and annual results to the Australian Stock Exchange ("ASX"), and
- Whilst in possession of price sensitive information.

Directors must obtain the approval of the Chairman of the Board and notify the Company Secretary before they sell or buy shares in the Company, and it is subject to Board veto. Directors must advise the ASX of any transactions conducted by them in shares in the Company.

### ***Independent Professional Advice and Access to Company Information***

Each Director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the consolidated entity's expense. A copy of any advice received by the Director is made available to all other members of the Board.

### ***Remuneration Committee***

The Chairman acts as the Remuneration Committee and reviews remuneration packages and policies applicable to the Managing Director, senior executives and Directors themselves. The Chairman evaluates the performance of the Managing Director and monitors management succession planning. The Board is also responsible for policies and professional indemnity and liability insurance policies applicable. Remuneration levels are competitively set to attract and retain the most qualified and experienced Directors and senior executives. The Board obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally.

Details of Directors' remuneration, superannuation and retirement payments are set out in the Remuneration Report in the Directors' Report.

### ***Audit Committee***

The Audit Committee has a documented Charter, approved by the Board. The majority of members must be non-executive Directors with a majority being independent. The Chairman may not be the Chairman of the Board. The Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

The members of the Audit Committee during the year were:

Mr. Allen Bolaffi Chairman

Mr. Gary Reuter

Both members are independent, non-executive directors. The audit committee comprises all of the independent, non-executive directors of the board and consequently there are no other members of the committee. Given the small number of directors the committee of two is considered adequate and capable of carrying out all the functions required of this committee.

The external auditors and the Managing Director are invited to Audit Committee meetings at the discretion of the Committee. The Committee met two times during the year. The external auditor met with the Audit Committee two times during the year.

The Audit Committee also conducts an annual review of its processes and current performance against its Charter to ensure that it has carried out its functions in an effective manner. The Charter is available to members on request.

***The responsibilities of the Audit Committee include:***

- Reviewing the annual and half-year financial reports and other financial information distributed externally, including new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles,
- Monitoring corporate risk assessment processes,
- Considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. The external auditor provides an annual declaration of independence,
- Reviewing the nomination and performance of the external auditor,
- Monitoring the establishment of an appropriate internal control framework and appropriate ethical standards,
- Monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements, and
- Addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year as follows:

- To discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed.
- Prior to announcement of results:
  - ~ To review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings
  - ~ To recommend Board approval of these documents
- To finalise half-year and annual reporting:
  - ~ Review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made
  - ~ Review the draft financial report and recommend Board approval of the financial report
- As required, to organise, review and report on any special reviews or investigations deemed necessary by the Board.

***Internal Control Framework***

The Board is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board has instigated the following internal control framework:

- Financial reporting – Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly,
- Continuous disclosure – The Board of Directors and the Chief Financial Officer/Company Secretary or delegate are responsible for all communications with the ASX,
- Quality and integrity of personnel – Appraisals are conducted annually for all management employees,
- Operating units control – The Operational managers responsible for the division performance are responsible for the control of performance and risk. These personnel and processes are reviewed as required by the Board,
- Functional speciality reporting – Key areas subject to regular reporting to the Board include - Insurance and Superannuation, and
- Investment appraisal – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.



### ***Internal Audit***

The Company does not have a formal and separate internal audit function. During the year ongoing review of operations of the business is undertaken by senior management.

### ***Business Risk Management***

The Board considers the status of business risks. Major business risks arise from such matters as actions by competitors, government policy changes, the impact of exchange rate movements, difficulties in sourcing supplies and the purchase, development and use of information systems.

### ***Practices are established such that:***

- Capital expenditure and revenue commitments above a certain size require prior Board approval,
- Occupational health and safety standards and management systems are monitored and reviewed to achieve acceptable standards of performance and compliance with regulations, and
- Business transactions are properly authorised and executed.

### ***Management Report***

- The Company requires that the senior management state in writing to the Board that the financial reports of the Company are, in all material respects, in accordance with relevant accounting standards founded on a sound system of internal compliance and control which implements the policies adopted by the board and that the companies risk management and internal control system is operating efficiently and effectively in all material respects.

### ***Ethical Standards***

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

### ***Recognise the legitimate interests of stakeholders***

The Company has established a code of conduct to guide the non-executive directors, the managing director and all key executives as to compliance with legal and other obligations to legitimate stakeholders in the Company;

- The practices necessary to maintain confidence in the integrity of the company; and
- The right of employees to alert management and the board in good faith to potential misconduct without fear of retribution and recording and investigating such alerts.

A copy of that code is available to members on request.

### ***ASX listing Rule Compliance***

The company has established policies and procedures designed to ensure compliance with ASX Listing Rule requirements such that:

- All investors have equal and timely access to material information concerning the Company, including its financial situation, performance, ownership and governance; and
- Company announcements are factual and presented in a clear and balanced way.

The board authorises all disclosures necessary to ensure compliance with ASX Listing Rule disclosure requirements.

The Company has a communications strategy to promote effective communication with shareholders (subject to privacy laws and the need to act in the best interests of the Company by protecting confidential commercial information) and encourage participation at general meetings.

All relevant disclosures made in accordance with ASX listing Rules are placed on the website of the Company after release to and acknowledgment of the ASX.

The company requests the auditor to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.



***John Shearer (Holdings) Limited and Controlled Entities***  
***Statement of Comprehensive Income***  
***for the financial year ended 30 June 2011***

<b>Continuing Operations</b>	<b>Notes</b>	<b>Consolidated</b>	
		<b>2011</b>	<b>2010</b>
		<b>\$'000</b>	<b>\$'000</b>
Revenue	3	30,465	29,914
Other Income	3	132	44
Changes in inventories of finished goods and work in progress		203	(496)
Raw materials and consumables used		(12,905)	(11,754)
Employee benefits expense		(9,968)	(9,862)
Depreciation expense	4	(731)	(950)
Borrowing costs expense	4	(15)	(24)
Contractor, subcontractor & commission expenses		(231)	(286)
Repairs and maintenance expense		(349)	(321)
Energy costs		(716)	(626)
Freight costs		(1,570)	(1,440)
Other expenses		<u>(3,575)</u>	<u>(3,125)</u>
<b>Profit from continuing operations before income tax expense</b>		<b>740</b>	<b>1,074</b>
Income tax expense	5	<u>(355)</u>	<u>(426)</u>
<b>Profit from continuing operations after income tax expense</b>		<b><u>385</u></b>	<b><u>648</u></b>
<b>Net profit for the period</b>		<b><u><u>385</u></u></b>	<b><u><u>648</u></u></b>
<b>Other comprehensive Income</b>			
Foreign currency translation		<u>(499)</u>	<u>(67)</u>
<b>Other comprehensive income for the period, net of tax</b>		<b>(499)</b>	<b>(67)</b>
<b>Total comprehensive income</b>		<b><u><u>(114)</u></u></b>	<b><u><u>581</u></u></b>



*John Shearer (Holdings) Limited and Controlled Entities*  
*Statement of Comprehensive Income (Continued)*  
*for the financial year ended 30 June 2011*

		Consolidated	
	Notes	2011 \$'000	2010 \$'000
<b>Profit for the period is attributable to:</b>			
Non-controlling interest		(8)	(7)
Owners of the parent		393	655
		385	648
 <b>Total comprehensive Income for the period is attributable to:</b>			
Non-controlling interest		(41)	(7)
Owners of the parent		(73)	588
		(114)	581
		<b>Cents</b>	<b>Cents</b>
Basic Earnings per share	24	3.1	5.3
Diluted Earnings per share	24	3.1	5.3

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



***John Shearer (Holdings) Limited and Controlled Entities***  
***Statement of Financial Position***  
***as at 30 June 2011***

		Consolidated	
	Notes	2011 \$'000	2010 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	6	13,852	13,957
Trade and other receivables	7	4,408	5,126
Inventories	8	5,284	5,306
Current tax assets		222	478
Other current assets		228	419
Total Current Assets		<u>23,994</u>	<u>25,286</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	10	25,425	26,232
Deferred tax assets	5	1,271	1,206
Total Non-Current Assets		<u>26,696</u>	<u>27,438</u>
<b>Total Assets</b>		<u>50,690</u>	<u>52,724</u>
<b>Current Liabilities</b>			
Trade and other payables	11	5,242	5,783
Provisions	12	2,370	1,095
Total Current Liabilities		<u>7,612</u>	<u>6,878</u>
<b>Non-Current Liabilities</b>			
Interest bearing liabilities	13	205	246
Deferred tax liabilities	5	734	699
Provisions	14	736	1,903
Total Non-Current Liabilities		<u>1,675</u>	<u>2,848</u>
<b>Total Liabilities</b>		<u>9,287</u>	<u>9,726</u>
<b>Net Assets</b>		<u>41,403</u>	<u>42,998</u>
<b>Equity</b>			
Contributed equity	15	8,633	8,633
Reserves		840	1,306
Retained earnings		31,774	32,862
Total parent equity interest		41,247	42,801
Non-controlling interest		156	197
<b>Total Equity</b>		<u>41,403</u>	<u>42,998</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



***John Shearer (Holdings) Limited and Controlled Entities***  
***Statement of Changes in Equity***  
***for the financial year ended 30 June 2011***

Consolidated Entity	Asset Revaluation Reserve \$'000	Foreign Currency Translation \$'000	Contributed Equity \$'000	Retained Earnings \$'000	Owners of the parent \$'000	Non- controlling Interest \$'000	TOTAL \$'000
Balance at 1 July 2010	1,373	(67)	8,633	32,862	42,801	197	42,998
Profit for the year	—	—	—	393	393	(8)	385
Other comprehensive income:	—	(466)	—	—	(466)	(33)	(499)
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>(466)</b>	<b>—</b>	<b>393</b>	<b>(73)</b>	<b>(41)</b>	<b>(114)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Dividends provided for or paid	—	—	—	(1,481)	(1,481)	—	(1,481)
<b>Balance at 30 June 2011</b>	<b>1,373</b>	<b>(533)</b>	<b>8,633</b>	<b>31,774</b>	<b>41,247</b>	<b>156</b>	<b>41,403</b>
Balance at 1 July 2009	1,373	—	8,633	34,143	44,149	—	44,149
Profit for the year	—	—	—	655	655	(7)	648
Other comprehensive income:	—	(67)	—	—	(67)	—	(67)
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>(67)</b>	<b>—</b>	<b>655</b>	<b>588</b>	<b>(7)</b>	<b>581</b>
<b>Transactions with owners in their capacity as owners:</b>							
Acquisition of subsidiary	—	—	—	(85)	(85)	204	119
Dividends provided for or paid	—	—	—	(1,851)	(1,851)	—	(1,851)
<b>Balance at 30 June 2010</b>	<b>1,373</b>	<b>(67)</b>	<b>8,633</b>	<b>32,862</b>	<b>42,801</b>	<b>197</b>	<b>42,998</b>



**John Shearer (Holdings) Limited and Controlled Entities**  
**Cash Flow Statement**  
**for the year ended 30 June 2011**

		Consolidated	
		2011	2010
	Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		35,280	31,347
Payments to suppliers and employees (inclusive of goods and services tax)		(33,929)	(31,603)
Payments of income tax		<u>(130)</u>	<u>(1,259)</u>
		<u>1,221</u>	<u>(1,515)</u>
Interest received	3	805	715
Borrowing costs		<u>(6)</u>	<u>(24)</u>
<b>Net cash inflow/(outflow) from operating activities</b>	23	<u>2,020</u>	<u>(824)</u>
<b>Cash flows from investing activities</b>			
Purchase for property, plant and equipment		(687)	(144)
Payments for investments**		—	(1,417)
Loans from related parties		198	245
Proceeds from sale of other assets, property, plant and equipment		<u>4</u>	<u>60</u>
<b>Net cash inflow/(outflow) from investing activities</b>		<u>(485)</u>	<u>(1,256)</u>
<b>Cash flows from financing activities</b>			
Dividends paid	16	<u>(1,481)</u>	<u>(1,851)</u>
<b>Net cash (outflow) from financing activities</b>		<u>(1,481)</u>	<u>(1,851)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		54	(3,931)
Cash and cash equivalents at beginning of period		13,957	17,811
Cash in controlled entities acquired		—	80
Effects of exchange rate changes on cash		<u>(159)</u>	<u>(3)</u>
<b>Cash and cash equivalents at the end of the financial year</b>	6	<u>13,852</u>	<u>13,957</u>

\*\*During the previous corresponding year \$1.417m was paid in an arm's length transaction with a related party in exchange for its shareholding in NINGBO Tristar Forging Co. Ltd; which is now a controlled entity.

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



***John Shearer (Holdings) Limited***  
***Notes to the Financial Statements***

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1. **Summary of Significant Accounting Policies**

The financial report of John Shearer (Holdings) Limited (the Company) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 27 September 2011.

John Shearer (Holdings) Limited is a company limited by shares incorporated in Australia whose shares are publically traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for land and buildings, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise noted.

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(a) **Basis of Consolidation**

The consolidated accounts incorporate the assets and liabilities of all entities controlled by John Shearer (Holdings) Limited (parent entity) as at 30 June 2011 and the results of all controlled entities for the year then ended. John Shearer (Holdings) Limited and its controlled entities together are referred to in this financial report as the group. The effects of all transactions between entities in the Group are eliminated in full. Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of comprehensive income from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(b) **Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

**Other taxes**

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

- when the GST incurred on purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement 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 part of the operating cash flows.

(c) **Business Combinations**

The Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured at fair value as at the acquisition date through profit or loss.

**Business Combinations (continued)**

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured.

(d) **Receivables and Revenue Recognition**

Sale of goods is recorded when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Risk and reward of ownership is considered to pass to the buyer at the time the goods have been dispatched to a customer pursuant to a sales order.

Interest revenue is recognised as interest accrues using the effective interest method.

Rental income from properties is accounted for on a straight-line basis over the lease term.

All trade receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the end of the month to which the invoice relates to.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for doubtful debts is raised where there is objective evidence that the group will not be able to collect the debt. Interest received on investments is recognised as revenue from operating activities.

(e) **Inventories**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

(f) **Revaluations of Non-Current Assets**

Subsequent to initial recognition as assets, land and buildings are measured at fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction.

Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. Annual assessments will be made by the directors, supplemented by independent assessments at most every five years.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same assets, they are debited directly to the asset revaluation reserve.

(g) **Investment in Associate**

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

Under the equity method, investments in the associates are carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate.

(h) **Depreciation of Property, Plant and Equipment**

Depreciation is calculated on both a straight line and diminishing basis to write off the net cost or re-valued amount of each item of property, plant and equipment (excluding land) over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

Buildings	13 - 100 Years
Plant and Equipment	3 - 38 Years
Computer and Electronic Equipment	3 - 23 Years
Tooling	1 - 6 Years

Major spares purchased specifically for particular plant are included in the cost of plant and depreciated.

(i) **Leased Non-Current Assets**

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

(j) **Non-Current Assets Constructed by the Group**

The cost of non-current assets constructed by the Group includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

(k) **Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid and are measured at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) **Maintenance and Repairs**

Maintenance, repair costs and minor renewals are charged as expenses as incurred.

(m) **Dividends**

Provision is made for the amount of any dividend declared, on or before the end of the financial year but not distributed at balance date.

- (n) **Interest-Bearing Loans and Borrowings**  
All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.  
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.  
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.  
*Borrowing costs*  
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.
- (o) **Employee Benefits**  
(i) Wages and salaries, annual leave and sick leave  
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave are recognised in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.  
(ii) Long service leave  
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.
- (p) **Employee Benefit On-Costs**  
Employee benefit on-costs, including payroll tax, are recognised when the employee benefits to which they relate are recognised as liabilities.
- (q) **Service Warranties**  
Provision is made for the estimated liability on specific claims at balance date.
- (r) **Cash and Cash Equivalents**  
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.  
For purposes of the cash flow statement, cash includes deposits at call which are readily convertible to cash on hand which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.
- (s) **Earnings per Share**  
Basic earnings per share is determined by dividing net profit after income tax attributable to members of John Shearer (Holdings) Limited, excluding any cost of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year. There has been no dilution of equity.
- (t) **Rounding of Amounts**  
The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.
- (u) **Impairment of Assets**  
At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.  
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.



- (v) **Contributed Equity**  
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.
- (w) **Operating Segments**  
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.  
Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.  
The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:
- Nature of the products and services,
  - Nature of the production processes,
  - Type or class of customer for the products and services,
  - Methods used to distribute the products or provide the services, and if applicable
  - Nature of the regulatory environment.
- Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.  
Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.
- (x) **Foreign Currency Translation**  
*(i) Functional and presentation currency*  
Both the functional and presentation currency of John Shearer (Holding) Limited and its Australian subsidiaries are in Australian dollars. The Chinese subsidiaries' functional currency is Chinese Yuan which is translated to the presentation currency.  
*(ii) Transactions and balances*  
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.  
Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.  
*(iii) Translation of Group Companies' functional currency to presentation currency*  
The results of the Chinese subsidiary are translated into Australian Dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.  
On consolidation, exchange differences arising from the translation of the net investment in Chinese subsidiary are taken to the foreign currency translation reserve. If a Chinese subsidiary were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of comprehensive income.
- (y) **Significant Accounting Judgments, Estimates and Assumptions**  
In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:
- Long Service Leave provision  
The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.
  - Warranty provision  
In determining the level of provision required for warranty the group has made judgments in respect of the expected performance of the product and number of customers likely to use the warranty. Historical experience and current knowledge of the performance of products has been used in determining the provision.

- (z) **Australian Accounting Standards Issued But Not Yet Effective**  
 Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2011. These are outlined in the table below.

Reference	Title	Summary	Impact on Company financial report	Application date of standard*	Application date for Group*
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p>	The Group has not yet determined the extent of their impact, if any.		1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<ul style="list-style-type: none"> <li>▶ These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 Financial Instruments: Recognition and Measurement.</li> <li>▶ This Standard shall be applied when AASB 9 is applied.</li> </ul>	The Group has not yet determined the extent of their impact, if any.		1 July 2013
AASB 119	Employee Benefits	<p>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets.</p> <p>Consequential amendments were also made to other standards via AASB 2011-10.</p>	The Group has not yet determined the extent of their impact, if any.		1 October 2013



FINEST IN THE FIELD

Reference	Title	Summary	Impact on Company financial report	Application date of standard*	Application date for Group*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <ul style="list-style-type: none"> <li>(a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other</li> <li>(b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other</li> <li>(c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other</li> </ul> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	The Group has not yet determined the extent of their impact, if any.		1 July 2011
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	<p>These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit.</p> <p>The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.</p>	The Group has not yet determined the extent of their impact, if any.		1 July 2011
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <ul style="list-style-type: none"> <li>(a) Tier 1: Australian Accounting Standards</li> <li>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</li> </ul> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <ul style="list-style-type: none"> <li>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard)</li> <li>(b) The Australian Government and State, Territory and Local Governments</li> </ul> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <ul style="list-style-type: none"> <li>(a) For-profit private sector entities that do not have public accountability</li> <li>(b) All not-for-profit private sector entities</li> </ul> <p>Public sector entities other than the Australian Government and State, Territory and Local Governments</p>	The Group has not yet determined the extent of their impact, if any.		1 July 2013
AASB 2010-2 ***	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	<p>This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053, preparing general purpose financial statements.</p>	The Group has not yet determined the extent of their impact, if any.		1 July 2013



FINEST IN THE FIELD

Reference	Title	Summary	Impact on Company financial report	Application date of standard*	Application date for Group*
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	<p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.</p>	The Group has not yet determined the extent of their impact, if any.		1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)  [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	<p>The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>	The Group has not yet determined the extent of their impact, if any.		1 July 2013
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project  [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	The Group has not yet determined the extent of their impact, if any.		1 July 2011
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	The Group has not yet determined the extent of their impact, if any.		1 July 2013
AASB 13	Fair Value Measurement	<p>AASB 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p>	The Group has not yet determined the extent of their impact, if any.		1 July 2013



## 2. Segment Information

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provision for service warranties. Segment assets and liabilities do not include income taxes.

### Operating Segments

The consolidated entity is involved in the same principal activities and is organised on a national basis into the following divisions by product and service type.

#### Agricultural Machinery and Transport Equipment

Manufacture and distribution of high quality agricultural machinery including cultivation and seeding equipment, ground engaging tools, and transport equipment (including bulk tankers).

#### Steel Shelving and Storage Systems

Manufacture and distribution of industrial and office steel shelving and storage systems.

2011	Operating segments			Consolidated
	Agricultural Machinery and Transport Equipment	Steel Shelving and Storage Systems	Inter-segment eliminations/unallocated	
	\$'000	\$'000	\$'000	\$'000
Sales to external customers	4,645	24,502	—	29,147
Inter-segment sales	—	924	(924)	—
Total sales revenue	4,645	25,426	(924)	29,147
Other revenue and other income	678	1,049	(277)	1,450
Total segment revenue	5,323	26,475	(1,201)	30,597
Segment result	119	664	(43)	740
Profit before income tax expense				740
Income tax expense				(355)
Net Profit				385
Interest revenue	334	516	(45)	805
Interest expense	—	60	(45)	15
Depreciation expense	178	553	—	731
Total segment assets	28,580	36,857	(14,747)	50,690
Total segment liabilities	4,028	8,038	(2,779)	9,287
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	(12)	(691)	16	(687)
Net cash flow from operating activities	(361)	2,381	—	2,020
Net cash flow from investing activities	187	(682)	10	(485)
Net cash flow from financing activities	—	(1,481)	—	(1,481)



*Segment information (continued)*

2010	Agricultural Machinery and Transport Equipment	Steel Shelving and Storage Systems	Inter- segment eliminations/ unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000
Sales to external customers	4,722	23,877	—	28,599
Inter-segment sales	—	366	(366)	—
Total sales revenue	4,722	24,243	(366)	28,599
Other revenue and other income	664	951	(256)	1,359
Total segment revenue	5,386	25,194	(622)	29,958
Segment result	44	1,099	(69)	1,074
Profit before income tax expense				1,074
Income tax expense				(426)
Net Profit				648
Interest revenue	250	471	(6)	715
Interest expense	—	30	(6)	24
Depreciation expense	374	576	—	950
Total segment assets	28,271	39,485	(15,032)	52,724
Total segment liabilities	3,841	8,981	(3,096)	9,726
Acquisitions of property, plant and equipment, intangibles and other non- current segment assets	(2)	(199)	57	(144)
Net cash flow from operating activities	(456)	(368)	—	(824)
Net cash flow from investing activities	21	(1,277)	—	(1,256)
Net cash flow from financing activities	(172)	(1,679)	—	(1,851)

**Informations about geographical locations**

	Revenues from sales to external customers		Property, plant and equipment, other non-current assets	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Australia	29,147	28,599	22,038	22,578
China	—	—	4,271	4,525
Eliminations	—	—	(884)	(871)
	29,147	28,599	25,425	26,232



**Segment information (continued)**

	Consolidated	
	2011	2010
	\$'000	\$'000
<b>Segment revenue reconciliation to the statement of financial income</b>		
Total segment revenue	31,666	30,536
Intersegment sales elimination	(1,201)	(622)
Total Revenue	<u>30,465</u>	<u>29,914</u>

**Segment net operating profit after tax reconciliation of the statement of comprehensive income**

The board of directors meets on a monthly basis to assess the performance of each segment by analysing the segment's net operating profit after tax. A segment's net operating profit after tax excludes non operating income and expenses such as dividends received, fair value gains and losses, gains and losses on disposal of assets and impairment charges.

Reconciliation of segment net operating profit after tax to net profit/loss before tax

Segment net profit before tax	783	1,143
Intersegment eliminations	(43)	(69)
Total net profit before tax per the statement of comprehensive income	<u>740</u>	<u>1,074</u>

**Segment assets reconciliation to the statement of financial position**

In assessing the segment performance on a monthly basis, the board of directors analyses the segment result as described above and its relation to segment assets. Segment assets are those operating assets of the entity that the board of directors views as directly attributing to the performance of the segment. These assets include plant and equipment, receivables, inventory and intangibles and exclude deferred tax assets.

Reconciliation of segment operating assets to total assets

Segment operating assets	65,437	67,756
Intersegment eliminations	(14,747)	(15,032)
Total assets per the statement of financial position	<u>50,690</u>	<u>52,724</u>

**Segment liabilities reconciliation to the statement of financial position**

Segment liabilities includes trade and other payables. The board of directors reviews the level of external payables for each segment in the monthly board meetings.

Reconciliation of segment operating liabilities to total liabilities

Segment operating liabilities	12,066	12,822
Intersegment eliminations	(2,779)	(3,096)
Total liabilities per the statement of financial position	<u>9,287</u>	<u>9,726</u>



***Segment information (continued)***

**(a) Accounting policies**

Segment information is prepared in conformity with the accounting policies of the entity and AASB 8 *Operating Segments*.

The group has identified its operating segments to be the two segments of Agricultural Machinery and Transport Equipment and Steel Shelving and Storage Systems. This is the basis by which internal reports are reviewed and used by the chief operating decision makers in assessing performance and determining allocation of resources.

**(b) Inter-segment transfers**

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an “arm’s-length” basis and are eliminated on consolidation.



**3. Statement of Comprehensive Income**

	Consolidated	
	2011	2010
	\$'000	\$'000
<b>Continuing operations</b>		
Sale of goods	<u>29,147</u>	<u>28,599</u>
Interest – Other corporations	805	715
Rent received	459	462
Sundries	<u>54</u>	<u>138</u>
	<u>1,318</u>	<u>1,315</u>
<b>Other Income</b>		
Foreign exchange gains	126	9
Government Grants	2	5
Profit on sale of non-current assets	<u>4</u>	<u>30</u>
	<u>132</u>	<u>44</u>
<b>Total Revenue and Other Income</b>	<u><u>30,597</u></u>	<u><u>29,958</u></u>

**4. Items Included in Profit**

**Gains and expenses**

Profit before income tax expense includes the following specific net gains and expenses:

**Gains and Loss**

Gain on disposal of property, plant and equipment	4	30
Foreign exchange loss	101	34

**Expenses**

Cost of sales of goods	20,673	20,022
Depreciation		
Buildings	262	273
Plant and equipment	<u>469</u>	<u>677</u>
Total depreciation	<u>731</u>	<u>950</u>
Minimum lease payments - operating lease	102	100
Bad and doubtful debts	(2)	1
Borrowing costs		
Interest and finance charges paid/payable	15	24
Leave entitlements	1,338	1,336
Loss on disposal of property, plant and equipment	1	12
Research and development	3	1
Service warranties	(1)	91
Superannuation	979	993

## 5. Income Tax

Income Tax Expense	Consolidated	
	2011	2010
	\$'000	\$'000
Current income tax expense	386	273
Deferred tax	(30)	81
Under (over) provided in prior years	(1)	72
Income tax expense	<u>355</u>	<u>426</u>

### Reconciliation between income tax expenses and prima facie tax payable

Profit from continuing operations before income tax expense	740	1,074
Tax at 30% (2010: 30%)	222	322
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Loss from overseas operations	52	53
Other	—	(21)
Under (over) provided in prior years	81	72
Income tax expense	<u>355</u>	<u>426</u>

Consolidated	Balance Sheet		Statement of Comprehensive Income	
Analysis of deferred tax assets				
Provision for inventory losses	171	140	(31)	79
Prepayments	—	35	35	13
Employee entitlements	883	841	(42)	122
Plant and equipment	33	5	(28)	(5)
Other	184	185	1	(12)
Deferred tax assets	<u>1,271</u>	<u>1,206</u>		
Analysis of deferred tax liabilities				
Land and buildings	663	699	(36)	(33)
Plant and equipment	71	—	71	(83)
Deferred tax liabilities	<u>734</u>	<u>699</u>		
Deferred tax income/(expense)			<u>(30)</u>	<u>81</u>

#### Footnote to note 5:

There are no Parent Entity movements in deferred tax assets and liabilities. Loss from overseas operations of \$174k (30 June 2010: \$176k) is not recognised as a deferred tax asset.

#### Tax Consolidation

John Shearer (Holdings) Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group. John Shearer (Holdings) Limited is the head entity of the tax consolidated group. The head entity will be liable for the current income tax liabilities of the group. Each entity in the group will be jointly and severally liable for the current income tax liability of the group where the head entity defaults.

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts under the stand-alone entity allocation basis.

**6. Current Assets - Cash and Cash Equivalents**

	Consolidated	
	2011	2010
	\$'000	\$'000
Cash at bank and on hand	1,939	1,586
Short term deposits	<u>11,913</u>	<u>12,371</u>
	<u><u>13,852</u></u>	<u><u>13,957</u></u>

**Reconciliation to Cash Flow Statement**

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above:	<u>13,852</u>	<u>13,957</u>
Balances per statement of cash flows	<u><u>13,852</u></u>	<u><u>13,957</u></u>

**Short Term Deposits**

The deposits are bearing interest rates between 3.8% and 6.2% (2010 – 2.3% and 6.4%). All deposits are secured under the Government Guarantee.

**7. Current Assets - Trade and Other Receivables**

Trade receivables	3,990	4,743
Less allowance for impairment loss	<u>(3)</u>	<u>(6)</u>
	3,987	4,737
Owing by related parties	16	33
Other receivables	<u>405</u>	<u>356</u>
	<u><u>4,408</u></u>	<u><u>5,126</u></u>

**(a) Allowance for impairment loss**

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

Movements in the provision for impairment loss were as follows:

At 1 July	6	6
Charge for the year	(2)	1
Amounts written off	<u>(1)</u>	<u>(1)</u>
At 30 June	<u><u>3</u></u>	<u><u>6</u></u>

At 30 June, the ageing analysis of trade receivables is as follow:

		0-30	31-60	61-90	+91	+91	
	Total	days	days	days	days	days	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
				PDNI*	PDNI*	CI*	
2011	Consolidated	3,990	2,535	1,271	105	76	3
2010	Consolidated	4,743	2,850	1,603	116	168	6

\* Past due not impaired ('PDNI')  
Considered impaired ('CI')

**(b) Fair value and credit risk**

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

***Current Assets - Trade and Other Receivables (continued)***

**(c) Related party receivables**

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash. The group has not made any allowance for impairment loss relating to amounts owed by related parties (2010: \$Nil).

An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

**(d) Other receivables**

The group has not made any allowance for impairment loss relating to amounts of other receivables (2010: \$Nil).

***Footnote to note 7:***

Trade and other receivables are non-interest bearing and are generally on 30-60 day terms.

**8. Current Assets - Inventories**

	2011	Consolidated
	\$'000	\$'000
Raw materials and stores – at cost	2,096	2,292
Work in progress – at cost	1,669	1,538
Finished goods – at realisable value	1,519	1,476
Total inventories at the lower of cost and net realisable value	<u>5,284</u>	<u>5,306</u>
Inventories recognised as an expense	<u>18,556</u>	<u>17,974</u>
Inventories write off	<u>76</u>	<u>106</u>

**9. Non-Current Assets - Business Combination**

**(a) Acquisition of Ningbo Tristar Forging Co. Ltd**

On 24 September 2009 Brownbuilt Pty Ltd, a John Shearer Group Company, acquired 53.33% of the voting shares of Ningbo Tristar Forging Company Limited taking its total holdings to 93.33%. Ningbo Tristar Forging Company Limited is an unlisted private company incorporated in China specialising in the manufacture of steel shelving and storage systems. The remaining 6.67% of its voting shares are held by a Chinese corporation known as Ningbo Yongxin Auto Components Manufacturing Company Limited.

The consideration transferred was \$1.417m in cash. At the date of acquisition, Brownbuilt Pty Ltd was involved in the manufacture of steel shelving and storage systems. The directors envisage that Brownbuilt will provide the management and funding for the venture.

The group has recognised the fair values of the identifiable assets and liabilities of Ningbo Tristar Forging Company Limited. Final business combination accounting is as follows:



***Non-Current Assets - Investment in Associate and Business Combination (continued)***

	Fair value at acquisition date	Carrying Value
	\$'000	\$'000
Plant and equipment	4,127	4,765
Cash and cash equivalents	80	80
Trade receivables	79	79
Inventories	58	58
Other receivables	433	433
	<u>4,777</u>	<u>5,415</u>
Trade payables	1	1
Other payables	343	343
Owing to related companies	1,777	1,777
	<u>2,121</u>	<u>2,121</u>
<b>Fair value of identifiable net assets</b>	<b>2,656</b>	
<b>Non-controlling interest in identifiable acquired net assets</b>	<b>(177)</b>	
<b>Fair value of existing share of investment</b>	<b>(1,062)</b>	
<b>Fair value of net assets acquired</b>	<b><u>1,417</u></b>	

There was neither goodwill nor discount on acquisition and the interest has been acquired at fair value as at 24 September 2009.

There were no contingent assets or liabilities taken into account, and no contingent consideration.

No transactions are required to be recognised separately from the assumption of assets and liabilities and there were no acquisition costs.

Cash flows relating to the acquisition are as follows:

<b>The cash outflow on acquisition is as follows:</b>	<b>\$'000</b>
<b>Net cash acquired with the subsidiary</b>	<b>80</b>
<b>Cash paid</b>	<b><u>(1,417)</u></b>
<b>Net consolidated cash outflow</b>	<b><u>(1,337)</u></b>

The consolidated statement of comprehensive income includes sales revenue and net loss for the financial year ended 30 June 2010 of \$390,027 and \$106,479 respectively, as a result of the acquisition of Ningbo Tristar Forging Company Limited.

Had the acquisition of Ningbo Tristar Forging Company Limited occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and loss of \$390,027 and \$106,479 respectively.

The value of the non-controlling interest was determined based on its 6.67% interest in the identifiable net assets as at the acquisition date.

10. *Non-Current Assets - Property, Plant and Equipment*

	Consolidated	
	2011	2010
	\$'000	\$'000
<b>(a) Reconciliation of carrying amounts at beginning and end of the period.</b>		
<b>Land</b>		
At directors' valuation which represents fair value	<u>15,440</u>	<u>15,440</u>
	<u>15,440</u>	<u>15,440</u>
<b>Buildings</b>		
At directors' valuation which represents fair value	<u>7,551</u>	<u>7,680</u>
	<u>7,551</u>	<u>7,680</u>
Less accumulated depreciation	<u>(1,389)</u>	<u>(1,142)</u>
	<u>6,162</u>	<u>6,538</u>
<b>Leasehold Improvements</b>		
At cost	<u>312</u>	<u>279</u>
Less accumulated depreciation	<u>(6)</u>	<u>—</u>
	<u>306</u>	<u>279</u>
<b>Plant and Equipment</b>		
At cost	<u>24,852</u>	<u>25,391</u>
	<u>24,852</u>	<u>25,391</u>
Less accumulated depreciation	<u>(21,335)</u>	<u>(21,416)</u>
	<u>3,517</u>	<u>3,975</u>
<b>Total</b>	<u>25,425</u>	<u>26,232</u>

**Reconciliations**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Consolidated					
	Freehold land	Buildings	Leasehold	Plant & Equipment	In course of construction	Total
Year ended 30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2010, net of accumulated depreciation	15,440	6,538	279	1,833	2,142	26,232
Additions	—	72	81	265	269	687
Disposals	—	—	—	(1)	—	(1)
Foreign currency exchange differences	—	(186)	(46)	(72)	(458)	(762)
Depreciation expense	<u>—</u>	<u>(262)</u>	<u>(8)</u>	<u>(461)</u>	<u>—</u>	<u>(731)</u>
At 30 June 2011, net of accumulated depreciation	<u>15,440</u>	<u>6,162</u>	<u>306</u>	<u>1,564</u>	<u>1,953</u>	<u>25,425</u>

*Non-Current Assets - Property, Plant and Equipment (continued)*

Year ended 30 June 2010	Consolidated					Total \$'000
	Freehold land \$'000	Buildings \$'000	Leasehold \$'000	Plant & Equipment \$'000	In course of construction \$'000	
At 1 July 2009, net of accumulated depreciation	15,440	5,631	—	1,946	17	23,034
Additions	—	—	—	149	52	201
Disposals	—	—	—	(41)	—	(41)
Additions through acquisition	—	1,178	291	479	2,242	4,190
Foreign currency exchange differences	—	—	(12)	(24)	(169)	(205)
Depreciation expense	—	(271)	—	(676)	—	(947)
At 30 June 2010, net of accumulated depreciation	<u>15,440</u>	<u>6,538</u>	<u>279</u>	<u>1,833</u>	<u>2,142</u>	<u>26,232</u>

**(b) Valuation of Land and Buildings**

The directors have adopted carrying values for Land and Buildings which were stated in the accounts at June 30 2011 as the current directors' valuation in line with their experience and view considering current economic conditions.

**(c) Carrying amounts that would have been recognised if land and buildings were stated at cost less accumulated depreciation and impairment.**

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Freehold land</b>		
Cost	13,002	13,002
Accumulated depreciation	—	—
Net book amount	<u>13,002</u>	<u>13,002</u>
<b>Freehold buildings</b>		
Cost	6,466	6,466
Accumulated depreciation	(980)	(933)
Net book amount	<u>5,486</u>	<u>5,533</u>

**11. Current Liabilities - Trade and Other Payables**

Trade payables	(a)	2,323	2,823
Other payables	(b)	878	1,094
Deposits on sales	(c)	647	113
Owing to holding company		72	74
Owing to related party entities		1,322	1,679
		<u>5,242</u>	<u>5,783</u>

**(a) Trade payables**

Trade payables are non-interest bearing and are normally settled between 30-60 day terms.

**(b) Other payables**

Other payables are non trade payables, are non-interest bearing and have an average term of 30 days.

**(c) Deposits on sales**

Deposits on sales represent security deposits on certain orders placed by customers.

**(d) Fair value**

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

**12. Current Liabilities - Provisions**

	Consolidated	
	2011	2010
	\$'000	\$'000
Employee Entitlements	2,240	944
Service Warranties	(b) 108	151
Sundry Provisions	22	—
	<u>2,370</u>	<u>1,095</u>

**(a) Movements in provisions**

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Service Warranties \$'000	Sundry Provisions \$'000	Total \$'000
<b>Consolidated</b>			
At 1 July 2010	151	—	151
Arising during the year	(1)	22	21
Utilised	<u>(42)</u>	<u>—</u>	<u>(42)</u>
At 30 June 2011	<u>108</u>	<u>22</u>	<u>130</u>

**(b) Service Warranties**

Provision is made for the estimated warranty liability at balance date. These claims are expected to be settled in the next financial year.

**13. Non-Current Liabilities - Interest Bearing Liabilities**

	Consolidated	
	2011	2010
	\$'000	\$'000
Loan from related party entity	<u>205</u>	<u>246</u>

**(a) Loan from Related Party Entity**

Loan from related party entity is unsecured.

**(b) Fair value**

Their carrying value is assumed to approximate their fair value. Interest rates are set at market rates and repayment terms are fixed.

**(c) Interest rate, foreign exchange and liquidity risk**

Details are disclosed in notes 17.

**14. Non-Current Liabilities - Provisions**

	Consolidated	
	2011	2010
	\$'000	\$'000
Employee Entitlements	<u>736</u>	<u>1,903</u>

15. *Contributed Equity*

	Parent Entity		Parent Entity	
	2011	2010	2011	2010
	Shares	Shares	\$'000	\$'000
	'000	'000		
(a) Ordinary shares - fully paid	<u>12,340</u>	<u>12,340</u>	<u>8,633</u>	<u>8,633</u>
(b) Movements in ordinary share capital of the company during the past two years were as follows:		Notes	Number of Shares	\$'000
30 June 2010 Closing Balance			<u>12,339,571</u>	<u>8,633</u>
30 June 2011 Closing Balance			<u>12,339,571</u>	<u>8,633</u>

(c) **Ordinary Shares**

In accordance with the abolishment of the concepts of authorised capital and par value shares within the Corporations Legislation, effective 1 July 1998, the Company does not have authorised capital nor par value in respect of its issued capital

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) **Capital management**

The Company's objective is to retain adequate equity and cash reserves to:

- protect the company from seasonal conditions and longer term business fluctuations caused by weather conditions,
- provide flexibility for appropriate acquisitions to expand and/or diversify the Group's manufacturing base, and
- enable the payment of cash dividends.

For the purposes of capital management, capital is considered by the company to comprise total equity of \$41.403m (2010: \$42.998m).

16. *Dividends*

	Consolidated	
	2011	2010
	\$'000	\$'000
Ordinary shares		
Fully franked paid - current year: 12 cents (2010: 15 cents)	<u>1,481</u>	<u>1,851</u>
	<u>1,481</u>	<u>1,851</u>
<b>Dividends not recognised at year end</b>		
Since year end the directors have recommended the payment of a fully franked dividend of 6 cents per fully paid ordinary share (2010: 6 cents). The aggregate amount of the proposed dividend expected to be paid on 30 September 2011 out of retained profits at 30 June 2011, but not recognised as a liability at year end under the dividends (note 1(m)), is -	<u>740</u>	<u>740</u>

17. *Financial Instruments*

(a) **Interest Rate Risk Exposure**

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed assets and liabilities to maturity.



*Financial Instruments (continued)*

2011	Floating interest rate \$'000	Fixed interest maturing in:			Total \$'000
		1 year or less \$'000	over 1 to 5 years \$'000	Non-interest bearing \$'000	
<b>Financial assets</b>					
Cash and cash equivalents	1,932	11,913	—	7	13,852
Trade and other receivables	—	—	—	4,408	4,408
	<u>1,932</u>	<u>11,913</u>	<u>—</u>	<u>4,415</u>	<u>18,260</u>
Weighted average interest rate	3.75	6.22	—	—	—

2011	Floating interest rate \$'000	Fixed interest maturing in:			Total \$'000
		1 year or less \$'000	over 1 to 5 years \$'000	Non-interest bearing \$'000	
<b>Financial liabilities</b>					
Trade and other payables	—	—	—	(5,242)	(5,242)
Interest bearing liabilities	—	—	(205)	—	(205)
	<u>—</u>	<u>—</u>	<u>(205)</u>	<u>(5,242)</u>	<u>(5,447)</u>
Net financial assets (liabilities)	1,932	11,913	(205)	(827)	12,813
<b>Financial Arrangements</b>					
Total facility (Bank Overdraft)	500	—	—	—	500
Used at balance date	—	—	—	—	—
Unused at balance date	<u>500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>500</u>

2010	Floating interest rate \$'000	Fixed interest maturing in:			Total \$'000
		1 year or less \$'000	over 1 to 5 years \$'000	Non-interest bearing \$'000	
<b>Financial assets</b>					
Cash and cash equivalents	1,578	12,371	—	8	13,957
Trade and other receivables	—	—	—	5,126	5,126
	<u>1,578</u>	<u>12,371</u>	<u>—</u>	<u>5,134</u>	<u>19,083</u>
Weighted average interest rate	2.79	5.03	—	—	—

2010	Floating interest rate \$'000	Fixed interest maturing in:			Total \$'000
		1 year or less \$'000	over 1 to 5 years \$'000	Non-interest bearing \$'000	
<b>Financial liabilities</b>					
Trade and other payables	—	—	—	(5,783)	(5,783)
Interest bearing liabilities	—	—	(246)	—	(246)
	<u>—</u>	<u>—</u>	<u>(246)</u>	<u>(5,783)</u>	<u>(6,029)</u>
Net financial assets (liabilities)	1,578	12,371	(246)	(649)	13,054
<b>Financial Arrangements</b>					
Total facility (Bank Overdraft)	500	—	—	—	500
Used at balance date	—	—	—	—	—
Unused at balance date	<u>500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>500</u>



**Financial Instruments (continued)**

**(b) Net Fair Value of Financial Assets and Liabilities  
On-balance Sheet**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Equity investments traded on organised markets have been valued by reference to market prices prevailing at balance date. For non-traded equity investments, the net fair value is an assessment by the Directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

**(c) Financial Risk Management**

The company's principal financial instruments comprise of cash and cash equivalents.

The main purpose of these financial instruments is to hold finance for the company's operations. The company has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

The net fair value of financial assets and liabilities in the Financial Statements are approximated by their carrying values.

**(d) Financial Assets and Financial Liabilities**

Financial assets and financial liabilities are recognised on the balance sheet when John Shearer (Holdings) Limited becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity.

A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

**Financial risk management objectives and policies**

The Group's principal financial instruments comprise receivables, payables, finance leases, cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Board reviews and agrees policies for managing each of the risks identified below, including interest rate risk, foreign exchange risk, liquidity risk, credit allowances, and future cash flow forecast projections.

**Risk Exposures and Responses**

*Interest rate risk*

The Group's exposure to market interest rates relates primarily to the Group's short-term deposits.

**At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian Variable interest rate risk:**

	Consolidated	
	2011	2010
	\$'000	\$'000
<b>Financial Assets</b>		
Cash and cash equivalents	<u>13,852</u>	<u>13,957</u>



*Financial Instruments (continued)*

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Consolidated</b>				
+ .5% (50 basis points)	48	49	48	49
- .5% (50 basis points)	(48)	(49)	(48)	(49)

The movements in profit are due to higher/lower interest receipts from variable rates on cash and cash equivalents.

*Foreign currency risk*

The Group's exposure to foreign currency rates relates to the operations of Group's subsidiary Ningbo Tristar Forging Co in China denominated in Chinese Yuan and United States Dollars. As the CNY/USD exchange rate was fixed during the majority of the current financial year, the Group's statement of financial position can only be affected significantly by movements in the USD/AUD exchange rates.

*At balance date, the Group had the following mix of financial assets and liabilities exposed to CNY and USD foreign currency:*

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	110	875
Trade and other receivables	355	36
	<u>465</u>	<u>911</u>
	\$'000	\$'000
<b>Financial liabilities</b>		
Trade and other payables	(1,408)	(1,682)
Interest bearing loans and borrowings	(205)	(245)
	<u>(1,613)</u>	<u>(1,927)</u>
Net exposure	<u>(1,148)</u>	<u>(1,016)</u>

*At 30 June 2011, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:*

	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>				
AUD to US Dollar +15% (2010: +15%)	(20)	(16)	(172)	(152)
AUD to US Dollar -15% (2010: -15%)	20	16	172	152

**Financial Instruments (continued)**

*Liquidity risk*

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis.

The following liquidity risk disclosures reflect all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities as of 30 June 2011. For the other obligations the respective undiscounted cash flows for the respective upcoming financial years are presented. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay. When the Group is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Group is required to pay. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of financial instruments. Trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant, equipment and investments in working capital (e.g., inventories and trade receivables).

Liquid assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

	Less than 6 months \$'000	6-12 months \$'000	1-5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Consolidated 2011</b>					
<b>Liquid financial assets</b>					
Cash and cash equivalents	1,939	11,913	—	—	13,852
Trade and other receivables	4,408	—	—	—	4,408
	<u>6,347</u>	<u>11,913</u>	<u>—</u>	<u>—</u>	<u>18,260</u>
<b>Financial liabilities</b>					
Trade and other payables	(5,242)	—	—	—	(5,242)
Interest bearing liabilities	—	—	(227)	—	(227)
	<u>(5,242)</u>	<u>—</u>	<u>(227)</u>	<u>—</u>	<u>(5,469)</u>
<b>Net inflow/(outflow)</b>	<b>1,105</b>	<b>11,913</b>	<b>(227)</b>	<b>—</b>	<b>12,791</b>
	Less than 6 months \$'000	6-12 months \$'000	1-5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Consolidated 2010</b>					
<b>Liquid financial assets</b>					
Cash and cash equivalents	1,586	12,371	—	—	13,957
Trade and other receivables	5,126	—	—	—	5,126
	<u>6,712</u>	<u>12,371</u>	<u>—</u>	<u>—</u>	<u>19,083</u>
<b>Financial liabilities</b>					
Trade and other payables	(5,783)	—	—	—	(5,783)
Interest bearing liabilities	—	—	(246)	—	(246)
	<u>(5,783)</u>	<u>—</u>	<u>(246)</u>	<u>—</u>	<u>(6,029)</u>
<b>Net inflow/(outflow)</b>	<b>929</b>	<b>12,371</b>	<b>(246)</b>	<b>—</b>	<b>13,054</b>

**Financial Instruments (continued)**

*Credit risk*

Credit risk arises from the financial assets of the Group, which comprise trade and other receivables.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it in the Group's policy to securitise its trade and other receivables. All cash at bank and short term deposits, held within banks, are covered by the Australian Government Guarantee.

The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the financial assets.

**18. Auditors Remuneration**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
The auditor of John Shearer (Holdings) Limited for the period ended 30 June 2011 is Ernst & Young.		
During the year the auditor of the parent entity earned the following remuneration:		
Audit or review of financial reports of the entity or any entity in the consolidated entity	<b>83,445</b>	87,356
Taxation services	—	—
<b>Total remuneration</b>	<b><u>83,445</u></b>	<b><u>87,356</u></b>

**19. Contingent Liabilities**

Under the terms of deeds of indemnity entered into in accordance with a Class Order issued by the Australian Securities and Investments Commission the parent entity has guaranteed any deficiencies of funds on winding up of John Shearer Ltd., Kockums Industries (Aust.) Pty. Ltd., Kockums Engineering Pty. Ltd., Brownbuilt Pty. Ltd. and Ningbo Tristar Forging Co. Ltd.

The above companies represent a 'closed group' for the purpose of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by John Shearer (Holdings) Limited, they also represent the 'Extended Closed Group'.

Companies within the John Shearer Group have interlocking guarantees with the National Australia Bank Limited. There are no net borrowings as at 30 June 2011 (30 June 2010 – Nil).

**20. Commitments for Expenditure**

**Capital Commitments**

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:

	<b>Consolidated</b>	
	<b>2011</b>	2010
	<b>\$'000</b>	\$'000
Within one year	—	589
Later then one year but not later then 5 years	—	—
Later than 5 years	—	—
	<u>—</u>	<u>589</u>
	<u>—</u>	<u>589</u>

**Operating lease – Group as lessee**

The Group has operating leases for one property for both the Group and the Company. The leases have terms of renewal but no purchase options. Renewals are at the option of the specific entity that holds the lease. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follow:

Not later than one year	<b>102</b>	100
Later than one year but not later than 5 years	<b>162</b>	27
Commitments not recognised in the financial statements	<u>264</u>	<u>127</u>
	<u>264</u>	<u>127</u>

**21. Employee Entitlements**

	<b>Notes</b>	<b>Consolidated</b>	
		<b>2011</b>	2010
		<b>\$'000</b>	\$'000
<b>Employee entitlement liabilities</b>			
Provision for employee entitlements			
Current	12	<b>2,240</b>	944
Non-current	14	<b>736</b>	1,903
Aggregate employee entitlement liability		<u>2,976</u>	<u>2,847</u>
		<u>2,976</u>	<u>2,847</u>

**Footnote to note 21: – Superannuation Commitments**

All employees of the Group are entitled to benefits on retirement, disability or death from the Group's retirement plans. These plans are accumulation funds and the entities contribute in line with the requirements of the Superannuation Guarantee Legislation. Employees can contribute amounts to the fund.

**22. Related Parties**

**Ultimate Holding Company**

The ultimate holding company is G.C.F. Investments Pty. Ltd. which beneficially owns 100% of the issued ordinary shares of Arrowcrest Group Pty. Ltd.

**Holding Company**

Arrowcrest Group Pty. Ltd. holds 77.5% (2010: 77.5%) of the issued ordinary shares of John Shearer (Holdings) Limited. Transactions between these entities consist of unsecured loans and management fees on normal commercial terms and conditions.

**Other Companies in Arrowcrest Group**

Transactions between Arrowcrest Group Pty. Ltd. and related companies including G.C.F. Investments Pty. Ltd., Tristar Steering & Suspension Australia and Flocast Australia Pty. Ltd. consist of unsecured loans and fees on normal commercial terms and conditions.

**Related Parties (continued)**

**Transactions with Related Parties**

Aggregate amounts as required to be disclosed and included in the determination of profit before income tax that resulted from transactions with each class of other related parties were as follows:

	Note	Consolidated 2011 \$'000	2010 \$'000
(1) Management fees paid to Arrowcrest Group Pty. Ltd. by John Shearer Group.		518	653

Aggregate amounts receivable from and payable to other related parties at balance date were as follows:

	7	16	33
Current receivables			
Current payables	11	1,394	1,753

**Subsidiaries**

The group consists of John Shearer (Holdings) Limited and its controlled entities, John Shearer Limited, Kockums Industries (Aust.) Pty. Ltd., Kockums Engineering Pty. Ltd., Brownbuilt Pty. Ltd. and Ningbo Tristar Forging Co. Ltd. Ownership interests in these controlled entities are set out below:

Name of Entity	Place of Incorporation	Class of Shares	Equity Holding		Relationship to Other Corporations in the Group - Owned by	Value of Investment \$'000
			2011 %	2010 %		
John Shearer Limited	South Australia	Ordinary	100	100	John Shearer (Holdings) Ltd.	3,125
Kockums Industries (Aust.) Pty. Ltd.	New South Wales	Ordinary	100	100	John Shearer (Holdings) Ltd.	3,885
Kockums Engineering Pty. Ltd.	Victoria	Ordinary	100	100	Kockums Industries (Aust.) Pty. Ltd.	—
Brownbuilt Pty. Ltd.	New South Wales	Ordinary	100	100	John Shearer (Holdings) Ltd.	10,100
Ningbo Tristar Forging Co. Ltd.	China	Ordinary	93	93	Brownbuilt Pty. Ltd.	—
						17,110

Transactions between John Shearer (Holdings) Limited during the year ended 30 June 2011 consists of:

- (a) loans advanced to Kockums Industries (Australia) P/L of \$59,520 (2010 – \$59,520), and
- (b) loans advanced by John Shearer Ltd of \$8,526,785 (2010 – \$8,527,227).

Related party loan are contractually agreed at the time of lending and are repayable on demand, however, are non-interest bearing.

**(a) Key Management Personnel**

The names of persons who were directors of John Shearer (Holdings) Limited at any time during the financial year are as follows: A.W. Gwinnett; C.H. Hong; G.D. Reuter, and A. E. Bolaffi.

The names of persons who were executives of John Shearer (Holdings) Limited at any time during the financial year are as follows: R. Smith; P. Rayias, and B. Graham.

Information on the disclosures relating to key management personnel is set out in the Remuneration Report in the Directors' Report.

**(b) Aggregate Shareholdings of Key Management Personnel**

Aggregate numbers of shares of John Shearer (Holdings) Limited held directly, indirectly or beneficially by key management personnel or their related entities at balance date:

**Share holdings**

The numbers of shares in the company held during the financial year by each director of John Shearer (Holdings) Limited and each of the three executives of the consolidated entity, including their personally-related entities, are set out below.



*Related Parties (continued)*

2011			
Name	Balance at the start of the year	Other changes during the year	Balance at the end of the year
<b>Directors of John Shearer (Holdings) Limited</b>			
<b>Ordinary Shares</b>			
A. E. Bolaffi	8,753	—	8,753
A. W. Gwinnett	9,567,490	—	9,567,490
C. H. Hong	1,122,618	—	1,122,618

2010			
Name	Balance at the start of the year	Other changes during the year	Balance at the end of the year
<b>Directors of John Shearer (Holdings) Limited</b>			
<b>Ordinary Shares</b>			
A. E. Bolaffi	7,753	1,000	8,753
A. W. Gwinnett	9,567,490	—	9,567,490
C. H. Hong	1,122,618	—	1,122,618
G. D. Reuter	10,000	—	10,000
<b>Specified executives of the consolidated entity</b>			
<b>Ordinary Shares</b>			
R. Smith	—	—	—
P. Rayias	—	—	—
C. M. Hobby	1,590	—	1,590

	2011	2010
Ordinary shares held directly	1,132,971	1,144,561
Ordinary shares held beneficially	9,565,890	9,565,890

**(c) Compensation of Key Management Personnel**

	Consolidated	
	2011	2010
	\$'000	\$'000
Short-term employee benefits	704	751
Post-employment benefits	75	92
Long term benefits	13	13
	<u>792</u>	<u>856</u>

**(d) Other Related Party Transactions**

A.E. Bolaffi is a partner of UHY Haines Norton. During the year, fees for tax services of \$11,000 were paid to UHY Haines Norton.



**23. Reconciliation of Net Profit after Income Tax to Net Cash Flow from Operations**

	Consolidated	
	2011	2010
	\$'000	\$'000
Net profit	385	648
Depreciation	731	947
Foreign exchange gain/(loss)	—	2
Provision for doubtful debts	(4)	—
(Profit) on sale of non-current assets	(4)	(30)
Loss on sale of non-current assets	1	—
Non-current assets written-off	—	12
<b>Changes in assets and liabilities</b>		
Decrease (increase) in trade and other receivables	754	(789)
Decrease (increase) in inventories	(4)	330
Decrease (increase) in other assets	(152)	293
Increase (decrease) in trade and other payables	(500)	236
Increase (decrease) in other liabilities	835	(1,982)
Increase (decrease) in other provisions	(22)	(491)
Net cash flow from operations	<u>2,020</u>	<u>(824)</u>

**24. Earnings per Share**

	Consolidated	
	2011	2010
	cents	cents
Basic earnings per share	3.1	5.3
Diluted earnings per share	3.1	5.3
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>12,339,571</u>	<u>12,339,571</u>

**Reconciliations of earnings used in calculating earnings per share**

	Consolidated	
	2011	2010
	\$'000	\$'000
Basic earnings per share		
Net profit	<u>393</u>	655
Earnings used in calculating basic earnings per share	<u>393</u>	<u>655</u>
Diluted earnings per share		
Net profit	<u>393</u>	655
Earnings used in calculating diluted earnings per share	<u>393</u>	<u>655</u>

**25. Dividend Franking Credits**

**Amount of franking credits available for subsequent reporting periods:**

Franking account balance at reporting date at 30% (2010: 30%)	4,428	4,933
Franking credits that will arise from the payment of the amount of the provision for income tax	<u>(222)</u>	<u>(477)</u>
Amount of franking credits available for subsequent reporting periods	<u>4,206</u>	<u>4,456</u>
Impact on franking account of fully franked dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	<u>(317)</u>	<u>(317)</u>



**26. Parent Entity Information**

	2011	2010
Information relating to John Shearer (Holding) Ltd:	<b>\$'000</b>	\$'000
Current assets	60	60
Total assets	17,170	17,170
Current liabilities	8,527	8,528
Total liabilities	8,527	8,528
Issued capital	8,634	8,634
Retained earnings	9	8
Total shareholders' equity	<u>8,643</u>	<u>8,642</u>
Profit or loss of the parent entity	<u>1</u>	<u>1</u>
Total comprehensive income of the parent entity	<u>1</u>	<u>1</u>

Please refer to Note 19 for details of any contingent liabilities of the parent entity.

**27. Events after the Balance Sheet Date**

There were no events after the balance sheet date that had any material effect on the Group.



***Directors' Declaration***

In accordance with a resolution of the directors of John Shearer (Holdings) Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are 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 (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.
- (e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 22 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

A.E. BOLAFFI  
Director  
Adelaide  
27 September 2011

## Independent auditor's report to the members of John Shearer (Holdings) Limited

### Report on the financial report

We have audited the accompanying financial report of John Shearer (Holdings) Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, 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.

### *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 controls as the directors determine are 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 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 about 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 judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. 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.

### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## Opinion

In our opinion:

- a. the financial report of John Shearer (Holdings) 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 financial report also complies with International Financial Reporting Standards as issued by the international Accounting Standards Board.

## Report on the remuneration report

We have audited the Remuneration Report included in 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 John Shearer (Holdings) Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Alan Herald  
Partner  
Adelaide  
27 September 2011



*The shareholder information set out below was applicable as at 26 September 2011.*

**Shareholder Information**

(a) Distribution of equity securities

	Ord Shares	
	Holders	% Shares Held
1 - 1,000	103	0.33
1,001 - 5,000	55	1.16
5,001 - 10,000	19	1.10
10,001 - 100,000	16	3.52
100,001 - or more	6	93.89
	<u>199</u>	<u>100.00</u>

There were 28 holders of less than a marketable parcel of ordinary shares.

(b) Distribution of equity securities

Name	No. of Shares	% of Issued Shares
Arrowcrest Group Pty. Ltd.	9,565,890	77.52
C. H. Hong	1,122,618	9.10
Evelin Investments Pty. Ltd.	382,000	3.10
Angueline Investments Pty Ltd.	203,271	1.65
O. R. Guglielmin	162,000	1.31
R. L. Denison	150,000	1.22
Obenox Pty. Ltd.	66,162	0.54
UBS Wealth Mgt Aust Nom. Pty. Ltd.	39,153	0.32
E.L & S.A. Underdown	37,250	0.30
H. V. & J.M. Underdown	37,250	0.30
B. Schulze	35,072	0.28
S. Orgill	30,312	0.25
R. J. Hill	28,249	0.23
EIG Pty. Ltd.	27,161	0.22
B. Hill	25,548	0.21
A.J. Milburn & D.K. Darby	24,000	0.19
R. S. Webb	21,000	0.17
M. R. Hill	19,048	0.15
G. L. N. Baseby	15,007	0.12
N. E. Baseby	15,007	0.12
	<u>12,005,998</u>	<u>97.30</u>

(c) Voting rights:

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(d) Substantial Shareholder:

Arrowcrest Group Pty. Ltd.  
 PO Box 2466  
 Regency Park SA 5942  
 9,565,890 ordinary shares representing 77.5% of the issued capital.

(e) Directors' interests:

The relevant interests of each director in the share capital of the Company, or in a related corporation in the register of Directors' Shareholdings at 26 September 2011 is as follows:

Ordinary Share	JS(H)L	GCF
C. H. Hong	1,122,618	—
A. E. Bolaffi	8,753	—
A. W. Gwinnett	1,600	1,320,000



## ***John Shearer (Holdings) Limited***

(A.B.N. 38 007 643 085)

A member of the Arrowcrest Group of Companies

### ***Notice of Annual General Meeting of Shareholders 2011***

Notice is hereby given that the Annual General Meeting of Shareholders will be held at the Company's Share Street Offices, Kilkenny, South Australia on Friday 28 October 2011 at 12.30 p.m.

#### ***Business***

**1. Financial statements and reports**

To receive and consider the financial statements for the year ended 30 June 2011, and the related directors' report, directors' declaration and independent audit report.

**2. Directors**

To elect director Mr. C. H. Hong, who retires in accordance with the Articles of Association and, being eligible, offers himself for re-election.

**3. Remuneration report**

To receive, consider and adopt the remuneration report of the company and of the consolidated entity for the year ended 30 June 2011.

**4. Any other business**

To deal with any other business which may be brought forward in accordance with the Articles of Association and the Corporations Act 2001.

#### ***Annual Report***

The statutory Annual Report is available for shareholders to access and download from:  
[http://www.johnshearer.com.au/company\\_announcements.html](http://www.johnshearer.com.au/company_announcements.html).

If you would like to receive a hard copy of the statutory Annual Report free of charge you can contact John Shearer Ltd on (08) 8268 9555 (International 61 8 8268 9555). Shareholders who have specifically requested a hard copy of the statutory Annual Report will receive it separately in the mail.

By order of the Board

A.E. Bolaffi, ACA  
Secretary

KILKENNY, South Australia  
27 September 2011

#### ***Determination of Voting Entitlements***

The Company has determined in accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that for the purposes of the meeting, 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 7.00 pm on 27 October 2011.



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## *John Shearer (Holdings) Limited*

(A.B.N. 38 007 643 085)

A member of the Arrowcrest Group of Companies

### *Notice of Annual General Meeting of Shareholders 2011 (continued)*

#### **Voting Exclusions**

The Company will disregard any votes cast on Resolution 3 by any Key Management Personnel the details of whose remuneration are included in the Remuneration Report, and any Closely Related Party of such Key Management Personnel.

However, the Company need not disregard a vote in relation to Resolution 3 if it is cast by a person (including a person chairing the meeting) as proxy for a person who is entitled to vote, in accordance with the directions on the relevant proxy form.

Please Note: In accordance with section 250R(4) and 250R(5) of the Corporations Act, the Chairman, another Director or Key Management Person will not vote any undirected proxies in relation to Resolution 3 unless the shareholder specifically authorises the Chairman, another Director or Key Management Person to vote in accordance with their directed voting intentions. **If a Shareholder wishes to nominate the Chairman, another Director or Key Management Person as their proxy for the purpose of Resolution 3 the Shareholder must mark the 'for', 'against' or 'abstain' box, directing the Chairman, another Director or Key Management Person how to vote.** Alternatively, Shareholders can nominate as their proxy for the purpose of Resolution 3 a proxy who is not a member of the Company's Key Management Personnel. That person would be permitted to vote undirected proxies.



**Proxies**

A member is entitled to appoint not more than two proxies.

Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Member's voting rights.

A proxy need not be a Member.

If you wish to appoint a proxy to attend and vote at the Meeting you may:

- (a) insert in this Proxy Form the name of a person as your proxy for the purpose of voting at the Meeting and then date and sign the form. If you wish you may direct your proxy how to vote by marking the appropriate box in respect of any or each resolution.
- (b) if you wish, to appoint the Chairman, another Director or Key Management Person as your proxy you must specifically direct them how to vote in respect of resolution 3 by marking the appropriate box for that resolution. If you do not do this, your vote on that resolution will not count and the Chairman, Director or Key Management Person will not vote in respect of your shares on that resolution.

Should you desire to indicate how you wish your votes to be cast, insert X in the appropriate box against each item listed below; otherwise your proxy will abstain or vote at his discretion.

Execution by a corporation must be under Seal or by its duly appointed Attorney.

In the case of joint holders any one of them may sign but should indicate the full names of the joint holders.

This form, and the Power of Attorney (if any) under which it is signed, must be deposited at the Registered Office of the Company, Share Street, Kilkenny, South Australia 5009, 24 hours before the meeting.

**John Shearer (Holdings) Limited**

**Box 32, WELLAND, SA 5007**

**Form of Proxy**

I, \_\_\_\_\_  
(Full Name in Block Letters)

of \_\_\_\_\_  
(Address)

being a member of John Shearer (Holdings) Limited hereby appoint

\_\_\_\_\_ of \_\_\_\_\_

or failing that person (and if this proxy is otherwise completed without naming a proxy) the Chairman of the meeting as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on Friday 28 October 2011, and at any adjournment thereof, and I hereby authorise the Chairman of the Company to complete this proxy by filling in any blanks herein in any matter he may think fit in his absolute discretion.

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

\_\_\_\_\_  
(Signature of Shareholder)

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
1. To adopt reports and accounts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as director Mr. C. H. Hong.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To vote on adoption of remuneration report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



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## *FINANCIAL SUMMARY (\$'000)*

	2011	2010	2009	2008	2007
Turnover	29,147	28,599	36,267	39,091	37,076
Net Operating Profit	385	648	3,024	2,716	3,976
Total Assets	50,690	52,724	53,358	52,987	51,938
Net Assets	41,403	42,998	44,149	42,976	42,111
Shareholders Equity %	81.7	81.6	82.7	81.1	81.1
Net Tangible Asset Backing/Share \$	3.31	3.44	3.53	3.45	3.39

### EARNING RATE

per 50 cent share (ave) cents	3.1	5.3	24.5	22.0	32.2
on shareholders funds (ave) %	0.9	1.5	6.9	6.4	9.7
on total assets (ave) %	0.7	1.2	5.7	5.2	7.8

Dividend in \$'000	1,481	1,851	1851	1851	1851
Cents per share	12.0	15.0	15.0	15.0	15.0
Times earning cover	0.3	0.4	1.6	1.5	2.1
Working Capital Ratio : 1	3.2	3.7	4.6	3.9	3.9
Quick Ratio : 1	2.5	2.9	3.7	3.0	2.9

