coffey SPECIALIST KNOWLEDGE EXTRAORDINARY OUTCOMES

Focusing on our strengths

Coffey Annual Report **2011**

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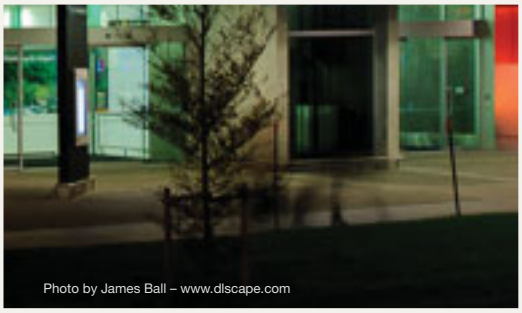


Photo by James Ball – www.dlscape.com

ANNUAL GENERAL MEETING

Date: Thursday 24 November 2011
Time: 10am
Venue: The Mint
10 Macquarie Street
Sydney NSW 2000

OUR ONLINE ANNUAL REPORT IS AVAILABLE AT

www.coffey.com

COFFEY INTERNATIONAL LIMITED

ACN 003 835 112

Coffey International Limited is a specialist professional services consultancy with expertise in geosciences, international development and project management. Operating for more than 50 years, we are well known in our markets for deep technical skills and market-leading solutions to complex tasks.

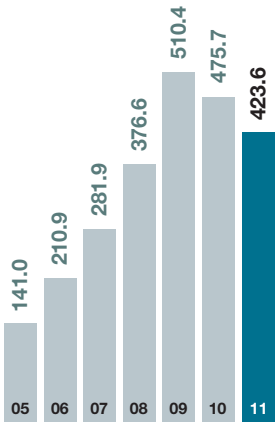
Coffey supports clients in mining, oil and gas, infrastructure, construction, property and government.

Coffey has more than 3,500 specialist staff worldwide working in more than 80 countries with offices in the Asia Pacific, Americas, Europe, Middle East and Africa.

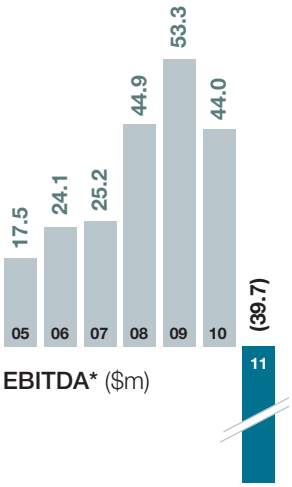
Performance at a Glance

Financial Performance

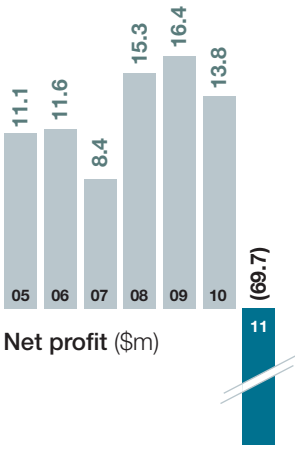
Financial year 2011 reported an EBITDA loss of $39.7 million. This result included non-cash asset impairment charges of $62.9 million and non-recurring restructuring costs of $9.1 million.



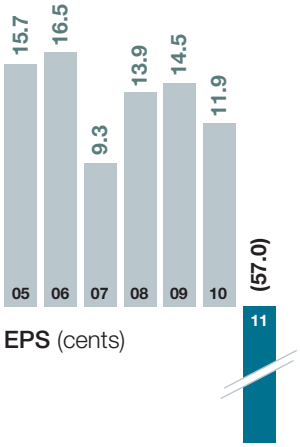
Fee revenue ($m)



EBITDA* ($m)



Net profit ($m)



EPS (cents)

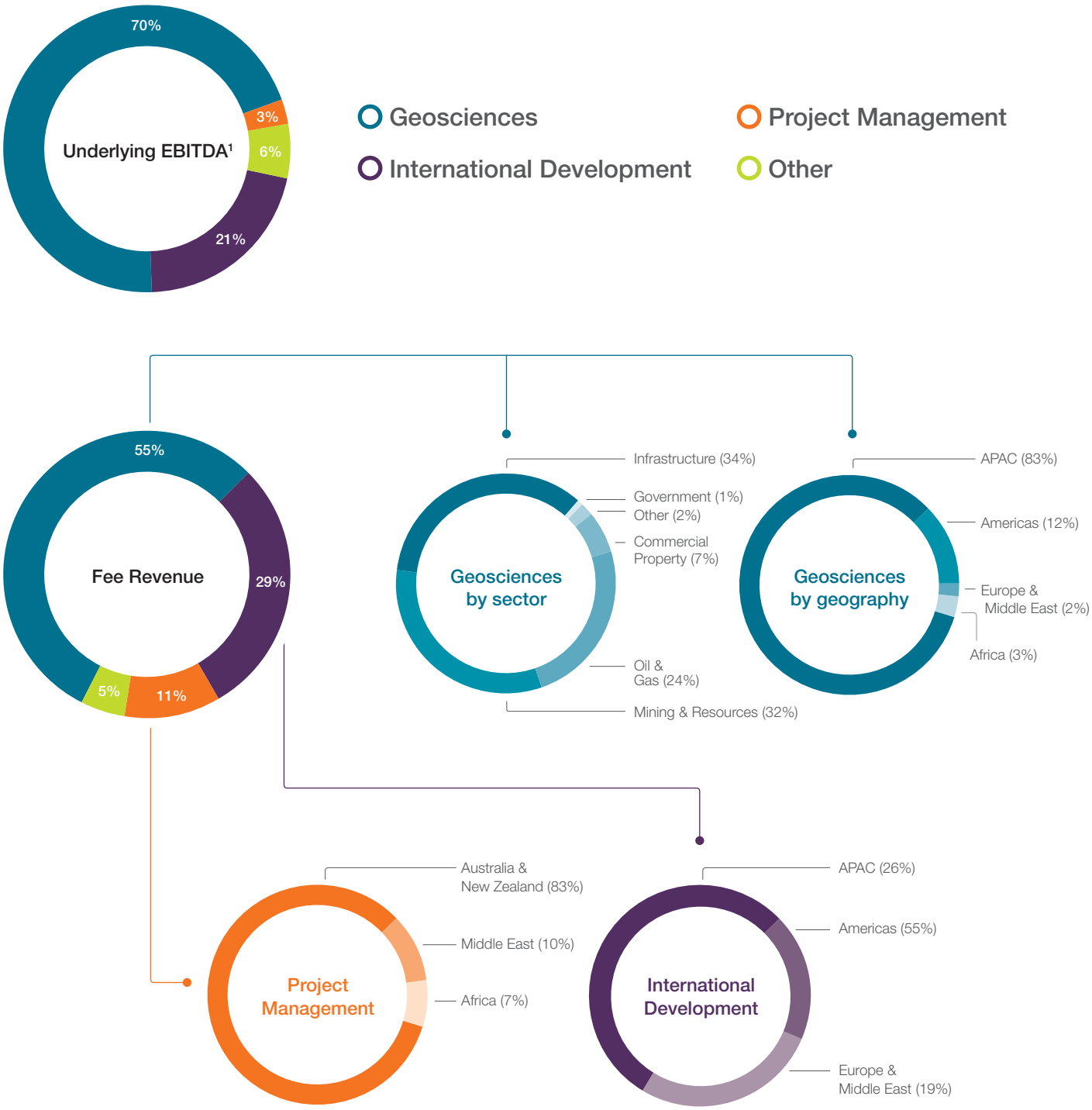
Seven Year Performance Summary

$ million unless otherwise stated	FY05	FY06	FY07 Restated	FY08	FY09	FY10	FY11
Total revenue	168.4	251.9	362.7	558.6	808.7	769.8	680.6
Fee revenue	141.0	210.9	281.9	376.6	510.4	475.7	423.6
EBITDA*	17.5	24.1	25.2	44.9	53.3	44.0	(39.7)
Earnings before interest and tax	14.9	20.6	18.4	35.0	41.1	32.3	(50.0)
Net profit after tax	11.1	11.6	8.4	15.3	16.4	13.8	(69.7)
EPS – cents per share	15.7	16.5	9.3	13.9	14.5	11.9	(57.0)
Net debt	3.1	54.8	46.1	93.9	92.8	100.5	121.2
Equity	34.2	66.9	177.6	196.1	191.1	198.2	122.4
Net debt / equity	9.1%	81.9%	26.0%	46.9%	48.6%	50.7%	99.0%
Net debt / capital	8.4%	45.0%	20.6%	31.9%	32.7%	33.6%	49.6%

* EBITDA – Earnings before interest, tax, depreciation and amortisation

Operating Performance

Financial year 2011 saw 70% of Coffey's underlying EBITDA[1] sourced from our Geosciences businesses, which operate predominantly in the Asia Pacific (APAC) markets.



[1] Underlying EBITDA – Earnings before interest, tax, depreciation and amortisation before restructure and impairment costs.

Chairman's Report

Over the last 12 months Coffey has undergone a significant transformation. The change has been necessary to refocus Coffey on its core strengths and to return to profitable, sustainable growth.

During November and December 2010, the Board undertook a detailed review of the nature of Coffey's expansion over recent years and the contributions from the Company's diverse businesses. It was apparent that the Company's structure and scale was well out of step with the prevailing economic conditions. We took immediate steps to streamline the management structure, further reduce headcount and bring costs more into line with fee revenue.

Since commencing as Managing Director in March 2011, John Douglas has led a thorough review of all aspects of the business. These reviews have resulted in the recognition of Coffey's core strengths – geosciences, international development and project management – and in a paring back of the organisation to focus on these strengths.

As a result, the Board and Management are confident of delivering a materially improved performance during the current financial year.

Financial results and dividends

The result for FY2011 includes the costs of the review and restructuring process I have outlined. The reported net loss of $69.7 million after tax included non-cash asset impairment charges of $62.9 million and non-recurring restructuring costs of $9.1 million.

Net debt at 30 June 2011 increased to $121.2 million. This represents a gearing ratio of 50% compared to 34% for FY2010. This increase was driven by the lower net operating cash flows and pre-committed capital expenditure of $8.5 million for completion of the Adelaide office relocation.

The reduced operating cash flow and increased debt positions underscore the need for the changes we have implemented.

To support the management restructure and review initiatives, our banking facilities were restructured and extended to February 2014. Following year-end, we arranged additional financial flexibility, including the deferral of scheduled debt repayments until February 2014, which will ensure the continued implementation of the changes identified during the strategic review.

Clearly, deleveraging the business is a key priority. As a result, the Directors determined that no dividends would be paid for FY2011. We will assess the dividend policy for each reporting period but reducing our debt remains a priority in the short term.

On 5 October 2011, after considering Coffey's high level of gearing and the uncertainty in the world financial markets, the Board announced a fully underwritten capital raising of approximately $40 million. The capital raising structure ensures eligible shareholders have the opportunity to participate in the larger pro rata entitlement offer (1 for 1.75 ratio) to raise $29.1 million. Existing and new institutional shareholders participated in a placement of $10.9 million. The net proceeds of the capital raising will be used to repay debt and substantially strengthen Coffey's balance sheet.

Board renewal and succession planning

As you know, Stephen Williams stepped down as Board Chairman at the close of the 2010 Annual General Meeting and continues at the request of the Board as a Non-executive Director.

I was honoured when asked by my Board colleagues to succeed Stephen as Chairman.

The Board renewal and succession program also included Susan Oliver who was appointed as an independent Non-executive Director in October 2010 and confirmed by Shareholders at the 2010 Annual General Meeting.

Directors intend to appoint at least one new independent Non-executive Director to fill a casual vacancy which will arise during the current financial year.

John Douglas was appointed Managing Director of the Company effective 1 March 2011, succeeding Roger Olds who stepped down after leading Coffey for the last 15 years.

John Mulcahy
Chairman

Corporate governance

Coffey has an ongoing commitment to transparency and ensuring a high standard of accountability and corporate governance, and continues to refine its practices in this area. In this year's Annual Report we are including additional detail on our diversity practices for the first time.

Providing a work environment that is inclusive and where all employees are treated with dignity, courtesy and respect, is of paramount importance to Coffey. During the year, the Board has approved policies in relation to diversity, established measurable objectives for improving gender diversity and we are establishing a management Diversity Council to review and make recommendations on our workforce diversity practices and diversity related initiatives.

Executive remuneration

Coffey considers executive remuneration very carefully with the aim of aligning to Shareholder returns. As a result of our poor FY2011 performance, no short-term reward payments were made and no long-term rewards were granted under the Coffey Rewards Scheme. In addition, all performance shares granted in November 2008 have been forfeited as performance criteria were not met.

Although John Douglas was contractually entitled to a performance payment under his appointment terms, he has voluntarily forfeited that payment in order to align his incentive payments with those of his management team. His decision demonstrates John's commitment to Coffey and his integrity and confirms the Board's choice of him as Coffey's leader.

The Board has determined that Non-executive Director fees will not increase this financial year, and remain unchanged since October 2008.

Our people

People are the key asset of any company, but particularly a professional services business like Coffey.

Creating a safer working environment is Coffey's foremost commitment to employees. I am pleased to report that Coffey achieved an improvement in lost time injury rates in FY2011, and remains committed to continue to improve our safety performance.

On behalf of the Board, I would like to thank every Coffey employee for their passion, contribution and commitment over this past year of challenge and change.

Conclusion

Undoubtedly there remains considerable uncertainty in the global macroeconomic environment providing challenges for all businesses. Despite this backdrop, with the changes that we have made during FY2011 and which John Douglas and his team continue to implement, Coffey expects to achieve a significant improvement in profitability in FY2012.

On behalf of the Board, I thank you, our Shareholders, for your continued support.

The Board

John Mulcahy
Chairman

John Douglas
Managing Director

Stuart Black
Non-executive Director

Charles Jamieson AM
Non-executive Director

Susan Oliver
Non-executive Director

Stephen Williams
Non-executive Director

Directors' qualifications, experience and special responsibilities are set out on page 20 of the Directors' Report.

Managing Director's Report

During the 2011 financial year Coffey's Board and Management took a number of decisive steps to address the Company's recent disappointing performance.

We have streamlined and refocused the business on its core operating strengths, namely geosciences, international development, and project management services. These are profitable, value-adding specialist services where our expertise is deepest and our brand strongest. They offer diversified revenue streams and exposure to buoyant market sectors.

Our Geosciences businesses in particular are exposed to resources, oil and gas, and infrastructure. We have also simplified our management structure to reduce our cost base, and increase accountability and transparency.

On an underlying basis, our businesses are profitable. However, as a result of our new strategic direction, Coffey's financial performance in FY2011 was significantly impacted by $72 million of restructuring costs and impairment charges. We recorded underlying earnings before interest, tax, depreciation and amortisation (EBITDA) of $32.3 million.

The significant task of addressing Coffey's disappointing underperformance has been a key focus since I commenced as Managing Director in March 2011.

Coffey's fundamental strengths – market-leading technical expertise in attractive market segments supported by loyal clients and a strong brand – had become overshadowed by a loss of strategic focus. This was as a result of a number of acquisitions that provided a poor return on capital and a complex and expensive organisational structure with insufficient operating discipline. These factors led to a sharp decline in earnings performance during FY2011.

Our key focus since I joined has been to ensure we have the financial and organisational stability to return to profitability and restore Shareholder value.

Strategy

In June 2011, Coffey announced the outcomes of our initial strategic review and there has been good progress to date with the implementation of key initiatives which focused on stabilising the organisation.

- We are now focused on three key business areas of geosciences, international development, and project management, where we have valued expertise, a strong brand and are exposed to strong markets.
- The futures of non-core businesses are largely resolved with divestment of the LA Environments business and the Commercial Advisory brand discontinued. We continue to review the future of the Rail business: it is a profitable and well-run business located in Melbourne. However it does not offer Coffey a platform for international growth.
- A new, leaner management structure and new EBIT-level managerial budgets have generated cost savings, increased transparency and accountability.
- A new performance-based rewards scheme more closely aligns employee and Shareholder interests with rewards contingent upon business unit profitability and working capital performance.

Safety

Creating a safer workplace is our highest priority. I am pleased to report that Coffey's safety performance has improved significantly this year with a 44% reduction in our average lost time injury frequency rate.

Coffey has invested in a new global health, safety, security and environmental management system. The system was formally rolled out across the business and delivered to over 1,400 staff in 75 different locations across 15 countries.

Our progress on safety demonstrates the improved discipline within the business. Striving to have an incident and injury free workplace will continue to be the priority for our people.

Financial management and performance targets

Coffey is now focused on increasing profitability, deleveraging and strengthening our balance sheet.

Our financial performance targets were not achieved this year due to the non-recurring $72 million of restructuring costs and goodwill impairment charges together with the lower profitability of the Company.

We have addressed these issues by:

- implementing a cost reduction program with $18 million annualised benefits;
- improving control of working capital;
- aligning the balance sheet to support the key businesses;
- achieving balance sheet flexibility with the support of our lender and the reclassification of $40.5 million of current debt to non-current debt post balance date.

Reducing debt remains a top priority and the Board will continue to explore all deleveraging options. We will keep Shareholders advised of progress and decisions in this regard.

Pleasingly, Coffey's lenders continue to support the Company's strategic direction and we were able to extend our bank facility to 2014.

FY2011 operating performance

Post restructure, Coffey is now focused on three key businesses, with 70% of profit derived from the Geosciences group of businesses, and 21% in FY2011 from International Development. The Project Management business makes a positive cash and profit contribution after absorbing significant corporate overheads.

The Geosciences portfolio has strong exposure to the attractive resources, oil and gas, and infrastructure sectors in the Asia-Pacific region. Geosciences' higher margin, short-term contract work complements the government backed, longer-term contract profile of our International Development business. Project Management is well-regarded and managed and is strongly positioned to benefit from recovery in the commercial property sector.

Coffey's Geosciences business, comprising Coffey Geotechnics, Coffey Environments, Coffey Information and Coffey Mining, delivered a stable performance with FY2011 fee revenue of $232.6 million, which was flat on the previous year (FY2010: $234.7 million) with a positive outlook in Australasia for the sectors to which this business is exposed.

Fee revenue for Coffey International Development was down 20% to $122.3 million (FY2010: $153.5 million) impacted by the completion of the large Tatweer Project for USAID in Iraq. Partially offsetting the conclusion of this, the Company secured two new contracts with USAID including the follow-on project from Tatweer, the Tarabot Project.

The continued downturn of the non-residential property markets in Australia, Africa and the Middle East impacted the Project Management business with fee revenue of $46.9 million down 24% from $61.4 million in FY2010.

Despite the protracted downturn in non-residential property in Australia, the Australian and New Zealand Project Management operations achieved strong fee revenue and contributed 83% to FY2011 fee revenue for this business.

Focusing on our specialist people

Our people are Coffey's most important asset. Our staff are the source of Coffey's technical excellence and market differentiation, so it is critical that our people are engaged to perform. In FY2011 we created a leaner organisation with clear visibility to the service line managers. We simplified the management structure to focus on these business unit managers and client-facing staff. A new rewards scheme introduced in 2011 links performance with profitability in each business unit, better aligning our employees' interests with the overall interests of our Shareholders.

Redesigning the rewards and recognition scheme for our staff has been a significant undertaking. I am confident we now have the right business structure, the right people and incentives to be able to grow efficiently and quickly in our core markets.

Opportunities & growth

Management is optimistic about Coffey's return to sustainable growth and profit next year. Coffey has significant exposure to sectors of the economy well insulated from large scale volatility such as mining and oil and gas, and our business is focused on the markets which offer us the best prospects for growth. Our structure is leaner and more efficient, and we have improved line of sight with better management systems. The Company's earnings guidance for FY2012 reflects this confidence.

Looking ahead

Despite the pressure that is created by significant change within Coffey, the continued efforts and dedication of our people during FY2011 gives me great confidence in our Company's future.

I thank our customers for their continuing support and our people for their efforts. It's a privilege to be leading Coffey and I look forward to managing the Company through FY2012.

John Douglas
Managing Director

Our Management Team

John Douglas

BEng (Hons), MBA

MANAGING DIRECTOR

John has more than 25 years of experience in engineering, consulting and senior management roles in Australia and internationally. John was appointed as Managing Director of Coffey in March 2011. He has worked as a geotechnical engineer and at the Boston Consulting Group providing strategic advice to high profile companies. John joined Boral Limited in 1995, and was Executive General Manager of the Australian Construction Materials business from 2004-2010 where he managed a business with a turnover of more than $2 billion spread across four business streams.

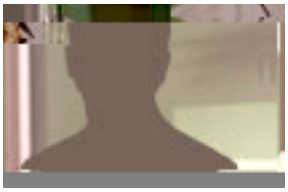
Operational Leadership

Sukumar Pathmanandavel

BEng, MSC, MBA

GROUP EXECUTIVE GEOTECHNICS

Sukumar has worked with Coffey for more than 20 years and was instrumental in driving global growth beyond Australia to New Zealand, Canada and the UK and the major project capability of geotechnical services. Previous roles in Coffey include Principal Geotechnical Engineer, Geotechnics' South East Asia Regional Manager and Global Business Development Manager.



GROUP EXECUTIVE ENVIRONMENTS

This position was filled by David Browne who has recently left the Company. At the time of printing this publication the Board and Managing Director were undertaking a comprehensive recruitment process. The selected candidate will be advised on Coffey.com.

Michael Renehan

MEng (Chemical), MBA

GROUP EXECUTIVE INFORMATION

Over the past 10 years Michael has worked in general manager and chief executive officer roles, responsible for service and manufacturing organisations across Australia and offshore (UK, Europe and USA). Prior to joining Coffey in 2010, Michael was the Executive Director of HSR LabMark Australia, part of Bureau Veritas, and CEO of Delta EMD.

Rob Sherwen-Slater

NHD (Mining), DipMgtDev

GROUP EXECUTIVE MINING

Rob has held several board and director roles with mining companies and executive roles in consulting and projects companies. Rob understands the industry challenges of complex and remote mining sites having experience working across Africa, Australia and South America. Previously Rob was Operations Director at Norilsk Nickel Australia.

Glen Simpson

BSc, PhD Ag, FAICD

GROUP EXECUTIVE INTERNATIONAL DEVELOPMENT

Glen has been the Group Executive of Coffey International Development since 1987 and has worked in the international development industry for more than 35 years. He has also been a trusted senior advisor on government advisory boards. Glen is Deputy Chair of the Federal Government's Council for Australian-Arab Relations. He was a member of the Coffey International Limited Board from 2001-2009.

Tom Tucker

BSc (Building)

GROUP EXECUTIVE PROJECTS

Tom has over 30 years experience delivering and managing project management services in a broad range of large multi-national organisations to a variety of sectors including commercial, retail and health sectors. He joined Coffey Projects in 1998, becoming Chief Operating Officer, then CEO/Group Executive in 2008. Prior to joining Coffey he was a construction director at WBHO in South Africa.

Chris Tyrell

BEng (Hons), PDM

GROUP EXECUTIVE RAIL

Chris has extensive experience in senior management and executive positions in the construction and rail sector. He worked for 8 years with Invensys Plc most recently as General Manager of International Markets for Invensys Rail. Chris held director and executive positions at Westinghouse Rail Systems Australia, and spent more than 10 years in functional management positions with their Australian subsidiary Honeywell Limited.

In December 2010 a simplified management structure was introduced to replace our global matrix structure. This structure provides single line accountability and authority for our service line managers. Each of our 43 service line managers are responsible for the performance of a business unit, reporting to seven group executives who are each responsible for the overall performance of a service line. The elimination of regional management structures has reduced costs and the specialist support of business development, human resources, finance and strategy is now more closely aligned with business managers and frontline staff.

Specialist Support Leadership

Urs Meyerhans
CA (CH), FAICD, MFTA
CHIEF FINANCIAL OFFICER

Urs has a strong track record as Chief Financial Officer and nearly 30 years of leadership experience in Finance. He was Chief Financial Officer of Wattyl Limited from 2002-2009 and appointed to the Board of Directors of Wattyl Limited in 2004. Urs was Chief Financial Officer of United Group Limited, Group Financial Controller of WMC Resources Limited, and Chief Financial Officer of Swiss Aluminium Australia Limited.

Mark Croudace
BEng (Chemical), MBA (Exec)
GROUP EXECUTIVE BUSINESS DEVELOPMENT

Mark joined Coffey in 2008 with nearly 20 years of experience driving growth in engineering and professional services firms. Mark was a Partner of Ernst & Young responsible for Business Development and the 'Go to Market' strategy. Mark has also worked extensively in environmental engineering with a multitude of global oil, gas, mining and industrial corporations.

Robert Barry
BA
ACTING GROUP EXECUTIVE HUMAN RESOURCES

Robert was Coffey's Group Human Resources Manager up until August 2011. Prior to joining Coffey Robert worked at ING Australia for 7 years, his last role being Head of Human Resources. He has also held senior management positions with United Parcel Service in the USA, and Australia and New Zealand Banking Group Limited.

Robert Simpson
BEng, MEngSc
GROUP EXECUTIVE STRATEGY

Robert has more than 30 years of experience in engineering and management roles. He joined Coffey in 1989 as team leader and has worked in a diverse range of roles including manager of Coffey's international development operations and management of the corporate development function from 2005 to 2010. He was a member on the Coffey International Limited Board from 1995-2000.

Safety & People

Safety is a top priority for Coffey's Board and Management.

Creating a safer workplace

Our employees work in potentially hazardous environments. On any given day we may have employees abseiling as they inspect a rock face, scuba diving to complete an environmental survey, or working on busy construction and mining sites with heavy equipment operating. Our International Development employees often work in environments that are politically unstable and where security is a key concern. All of our staff need to manage the risk of travelling to near and remote locations.

Coffey believes that every employee is responsible for their own safety. We also believe that providing a safe working environment is a fundamental management accountability. Our clients in mining, oil and gas, and infrastructure expect us to maintain high standards of safety and environmental performance.

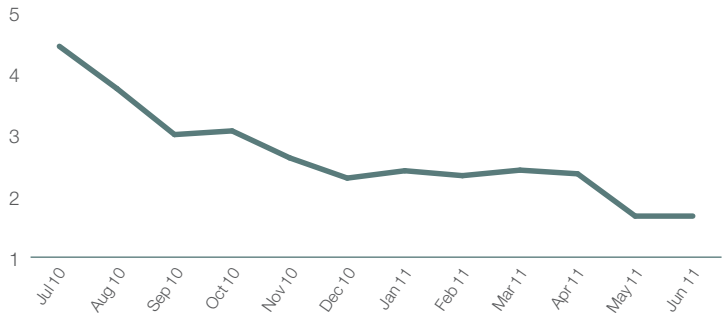
Coffey's key risk management initiative this year has been the launching of a global HSSE management system.

With greater visibility and focus on our safety performance, we have reported a significant improvement in our injury rate. In FY2011 Lost Time Injuries (LTIs) reduced from 23 (FY2010) to 13 and the Lost Time Injury Frequency Rate (LTIFR) fell to below 2.

First Aid Training

Coffey LTIFR (month rolling average)

July 2010 to June 2011



Our people: critical to our success

As a specialist professional services consultancy, we sell our technical expertise. To continue to provide excellence in service to our clients, we need to focus on retaining the great people we have – and attracting quality talent.

Along with our performance appraisal system and training programs, we recognise that rewarding people for performance is important. A new performance-based rewards scheme for FY2012 aims to incentivise our people by ensuring all levels of employees share in rewards for their contribution to a profitable year. While pay equity and financial rewards are an essential step, they are not the totality of our efforts to energise our staff and establish Coffey as an employer of choice.

Our streamlined, focused and more accountable management structure has seen an improvement in staff morale. Over the last year our staff numbers have remained relatively stable with more than 3,500 employees.

Diversity within Coffey is essential to operate successfully across many geographic regions, cultures and service areas. In June 2011, women accounted for 30% of our global workforce but are underrepresented in senior management roles (13%). We recognise this must improve and are actively implementing initiatives to improve this.

coffey geotechnics

SPECIALISTS MANAGING THE EARTH

We are a specialist geotechnical engineering consultancy renowned for solving complex technical challenges applied across a diverse range of ground conditions. We pride ourselves in our ability to provide high-end geotechnical design as well as conducting site investigations, geotechnical interpretation and analysis, and construction advice.

Core Capabilities

- Geotechnical design
- Geotechnical interpretation and analysis
- Construction advice
- Geophysics
- Groundwater

Strengths

- Leader in geotechnical engineering consulting with a strong specialist brand in Australia that is also growing in New Zealand, Canada and the United Kingdom
- Over 20 nationally and globally recognised technical experts engaged on high-end engineering and technically challenging work
- Our size, scale of resources, management capability, years of experience, technical expertise and global geographical presence enables us to take on the world's largest and most complex projects

Clients include

NSW Government Roads and Traffic Authority, Leighton Contractors, Bechtel Oil, Gas and Chemicals, Shell, Todd Property Group, Kellogg Joint Venture – Gorgon, Toronto Transit Commission.

Highlighted Projects

Client: NSW Government Department of Transport
Project: North West Rail Link, Sydney, Australia
Services: geotechnical investigations, laboratory testing and analysis, geotechnical and contamination interpretative report including design advice for concept design (appointed August 2011)

Client: Leighton – Abigroup
Project: Sir Leo Hielscher Bridge – South (Gateway), Brisbane, Australia
Services: Provided high-end geotechnical design and advice. Awarded Infrastructure Project of the Year by IPA.

Client: SKM/Rio Tinto
Project: Cape Lambert Port B
Services: Geotechnical construction supervision and investigation

coffey information

SPECIALISTS IN SCIENTIFIC TESTING SOLUTIONS

Our materials testing and analysis business is an industry leading specialist, providing independent verification, compliance and technical assessment of construction work and materials to the infrastructure, government, resources, property development and material extraction and supply sectors.

Core Capabilities

- Geotechnical testing & analysis
- Includes testing of soil, rock, concrete, roads/pavements and aggregates
- Construction materials testing
- Instrumentation, supervision, inspection and monitoring
- Advanced rock testing
- Drilling and field services

Strengths

- Safety and Quality standards that are the industry leader
- Extensive coverage with over 40 laboratories throughout Australia, New Zealand and Canada
- Highly regarded for construction materials testing and verification for major infrastructure projects
- Able to deploy quickly and set up mobile laboratories in remote project locations
- Efficient & standardised LEAN laboratory design, methodology and production
- NATA accredited testing laboratories

Clients include

Abigroup, BMD, Leighton Contractors, Thiess, Roads and Traffic Authority NSW, Department of Construction and Infrastructure, Northern Territory Government.

Highlighted Projects

Client: Abigroup
Project: Hume Highway, New South Wales
Services: Laboratory and field testing services including construction materials conformance and quality control testing for many Hume Highway upgrades. In FY2011 Coffey Information secured services on the Holbrook Bypass, which is jointly funded by the governments of Australia and the State of New South Wales.

Client: Thiess
Project: Gorgon Gas Project, Barrow Island, Western Australia
Services: laboratory and field testing services including aggregate, rock, soil, and density testing for Thiess (Coffey Geotechnics and Coffey Environments also provide services on this project).

coffey environments

SPECIALISTS IN ENVIRONMENTAL, SOCIAL AND SAFETY PERFORMANCE

Coffey Environments provides technical and advisory services covering environmental, social and health and safety issues, waste management and energy monitoring services. We assist through planning, design, approvals, financing, construction, operations, monitoring and compliance, closure, decommissioning, and site rehabilitation. Our offices are based in Australia, New Zealand, Canada, and the Middle East.

Core Capabilities

- Environmental and social impact assessments
- Site remediation
- Occupational health and safety
- Planning and approvals
- Waste management
- Social performance management
- Environmental design & sustainable engineering
- Energy monitoring services

Strengths

Recognised technical experts in environmental services social impact assessments, waste management and remediation, asbestos management and auditing. We have one of the largest environmental auditing teams in Australia and are regularly called upon as the experts to assess complex environmental situations.

Clients include

ExxonMobil, Arrow Energy, Xstrata, Caltex, Australian Department of Defence, BHP Billiton, AECOM.

Highlighted Projects

Client: Esso

Project: Highlands Liquefied Natural Gas Project, Papua New Guinea

Services: Initial environmental studies commenced in 2004 along with a comprehensive social impact assessment and the largest archaeological salvage program in the southern hemisphere. Financing arrangements were completed and the project is now in construction phase.

Client: Shell Iraq Petroleum Development BV

Project: Majnoon Oilfield, Southern Iraq

Services: Completed an environmental, social and health impact assessment including regulatory review, baseline social and environmental studies, field surveys, stakeholder engagement planning, initial consultation with stakeholders and preparation of environmental management plans for Shell's Majnoon First Commercial Production project. This was the first submitted in Southern Iraq for an international oil company. Coffey is now assisting Shell with planning a 90km oil pipeline from Majnoon oilfield to Zubair. We conducted a rapid assessment of social and environmental constraints and are preparing an environmental and social management plan. Coffey is collaborating with the Iraqi Petroleum Research and Development Centre, and ran training to build capacity in environmental sampling.

coffey mining

SPECIALISTS FROM BOARDROOM TO MINE FACE

Coffey Mining provides specialist mining consulting services, independent reports, technical audits and studies, and operational support and optimisation services to the global resource sector across all commodity types. Our team is professionally accredited in all major mining jurisdictions globally with operations based primarily in Australia, the Americas, and Africa.

Core Capabilities

- Geology
- Resource evaluation
- Mining geotechnics
- Mining engineering
- Metallurgy
- Tailings engineering
- Backfill engineering
- Business improvement
- Geomechanics and 3D numerical modelling
- Instrumentation & monitoring

Strengths

Coffey Mining is proud of its independence and is recognised by all major international financial institutions, resource funds and securities exchanges. This accreditation ensures that all tasks are performed and completed to accepted international audit standards.

Clients

Coffey Mining's clients range from junior explorers to mid-cap and blue chip mining companies, financial institutions, investment funds, and securities exchanges.

Highlighted Projects

Client: Minera Kurri Kullu S.A, Minera IRL S.A.

Project: Ollachea Gold Project, Peru

Services: Coffey Mining prepared a scoping study for the development of the Ollachea Gold Project. The work is now at the pre-feasibility stage. Coffey Mining remains responsible for the resources, underground geotechnical and mining aspects of the work. The services provided by Coffey Mining helped the client to obtain their listing on the Toronto Stock Exchange.

Client: Fortescue Metals Group

Project: Solomon Iron Ore Project, Pilbara Region, Western Australia

Services: Coffey Mining was commissioned by Fortescue to undertake mine engineering studies comprising pit optimisation, mine design, mine site infrastructure, tails evaluation and storage strategies, and mine production scheduling. The services provided by Coffey Mining resulted in the project receiving corporate approval for construction and a maiden reserve statement being issued in May 2011.

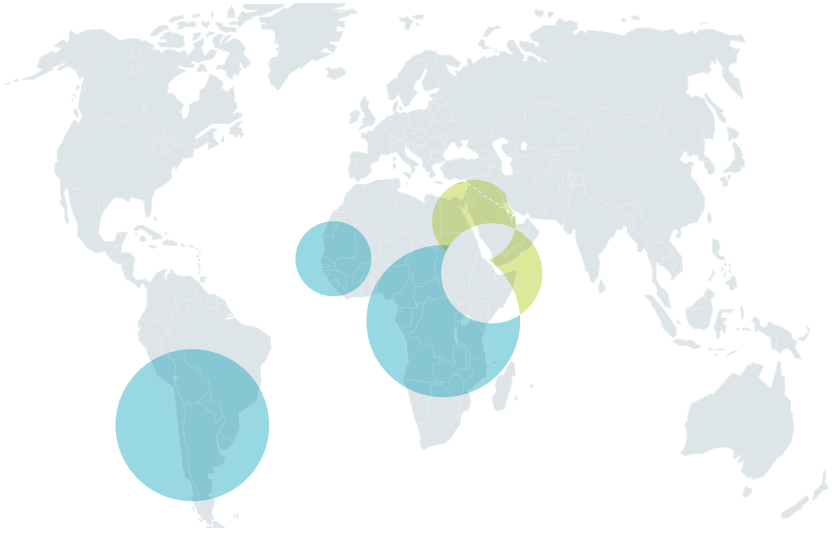
Business Profile

coffey international development
SPECIALISTS IN DEVELOPING COMMUNITIES

Our International Development business is one of the most trusted and experienced around the world, working alongside governments and donor agencies to strengthen governance, promote economic growth, and create conditions for sustainable development. We apply our expertise and local knowledge to build capacity, ultimately delivering programs to improve a range of social indicators. Our regional offices based in Australia, the United States of America, the Middle East and the United Kingdom, have strong affiliations with key donor agencies and governments.

Core Capabilities

- Human Development: We work with local organisations to design and implement sustainable solutions in education, health, social protection, gender equity, workforce development and labour markets.
- Governance & Public Sector Management: Innovative approaches for enhancing participation and transparency, combined with analytical expertise, have helped a wide range of organisations shape and implement activities that deepen and consolidate democratic governance.
- Security & Justice: We have experience supporting integrated law and justice reforms across a broad spectrum of institutions, and of building the capacities of communities to reduce and prevent crime. We provide policy, advisory and management services in security and justice sector development, stabilisation and conflict prevention.
- Stabilisation & Recovery: Our stabilisation and recovery teams provide a range of post-conflict and disaster recovery services. We provide access to leading security, safety and justice expertise, helping international agencies establish stability and the rule of law in preparation for long-term development planning and we work with governments and the private sector to establish functioning state infrastructure and the basis of sustainable economic activity.
- Evaluation & Research: We provide tailored, innovative solutions to equip organisations and programs with robust monitoring and evaluation systems, and to measure the effectiveness of development aid around the world through evaluations and impact assessments.



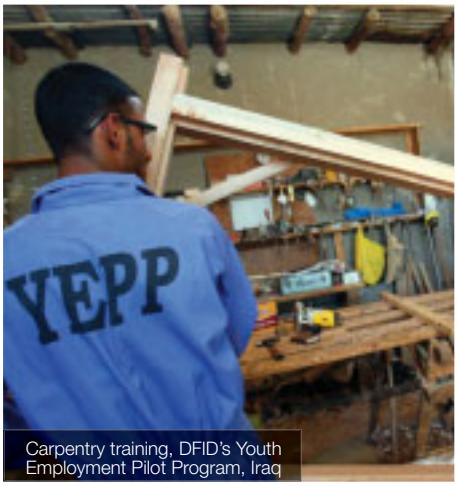
- Economic Growth: We work to improve the conditions for economic growth and poverty reduction. Areas of work include financial sector development, the application of market-based solutions to private sector development, agriculture and livelihoods, economic regulation and policy, the management of extractive industries, poverty reduction strategies, entrepreneurship development, and strengthening business enabling environments.
- Environment & Natural Resources: Environmental challenges are threatening to reverse recent sustainable development gains by destabilising societies, deepening poverty and creating environmental refugees. We have developed expertise in addressing these emerging challenges, including climate change, food security, and water and natural resource management, to ensure sustainable communities.

Strengths

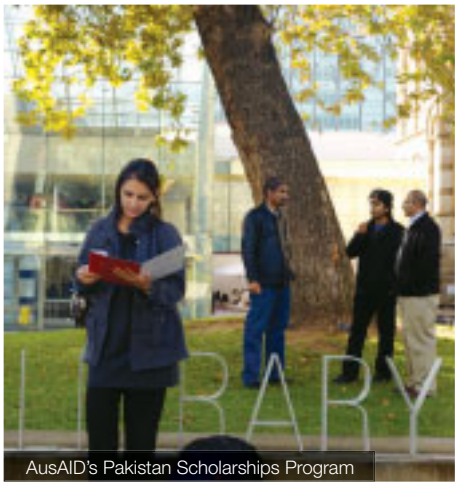
- Genuine scale: more than 1,500 professionals worldwide currently delivering projects in more than 80 countries
- Diversified across three key donor regions
- Experienced and trusted partner with 4 decades of experience delivering projects globally
- Strong global brand – a well recognised international contractor for international development work
- Diversified skills within international development

Clients

We provide services to a wide range of clients including USAID, AusAID, DFID (Department for International Development), the Islamic Development Bank, the European Commission, the Asian Development Bank, the World Bank and the UN. We also work directly with domestic and foreign government units, ministries and departments, as well as a number of foundations, universities, non-government organisations and private corporations.



Carpentry training, DFID's Youth Employment Pilot Program, Iraq


AusAID's Pakistan Scholarships Program

AusAID's Australia Indonesia Partnership for Maternal and Neonatal Health, Indonesia

USAID's SUPPORT (Services under Program and Project Offices for Results Tracking), Sudan. Photo by Jenn Warren©

Highlighted Projects

Client: AusAID

Project: Sub-National Strategy, Papua New Guinea

Services: This program supports the Government of PNG through the Department of Provincial and Local Government Affairs to build capacity to improve service delivery through a series of public sector reform initiatives. Delivering basic services to the people who need them is a logistical challenge in PNG, given that the majority of the population live in rural and remote areas.

Client: DFID

Project: Aid Coordination and Effectiveness Project, Bosnia & Herzegovina

Services: Coffey International Development provided a team to support the development and capacity of the Government of Bosnia and Herzegovina to coordinate international development assistance in line with the principles of the Paris Declaration on Aid Effectiveness. 15 years after the war, the country still needs substantial aid to develop its physical and social infrastructure to enable eventual EU accession.

Client: USAID

Project: Assistance for Afghanistan's Anti-Corruption Authority Project

Services: Coffey subsidiary Management Systems International is implementing this project that will help the Government of the Islamic Republic of Afghanistan strengthen its High Office of Oversight – making it a strong, effective institution that is able to lead, monitor, coordinate and report on efforts to combat corruption across the country.

Business Profile

coffey projects

SPECIALIST LEADERS AND MANAGERS

Our project management business manages delivery of built form – complex property and infrastructure projects. Operations are focused on servicing clients across Australia and New Zealand. We also service clients in South Africa.

Coffey Projects works in partnership with clients through the project lifecycle; providing counsel and support through project management and advisory services including business case development, project scope definition, consultant contractor procurement, design management, contract administration, program management, value management and strategic risk management.

Specialist areas in project management of developments

- Commercial
- Industrial
- Retail
- Sports and leisure
- Residential
- Hotel and tourism
- Government: health & aged care, defence, justice, education

Strengths

- Independent project management and advisory service providers
- Strong relationships with existing clients – based on reliable project delivery
- Experienced property and government sector team
- Excellent project management systems facilitate consistent, efficient project delivery
- Government accredited provider

Clients include

- Australian Government
  - Department of Education and Early Childhood Development
  - Department of Health and Ageing
  - Department of Defence
- Kiwi Rail
- GPT Funds Management No.2 Pty Ltd

Highlighted Projects

Client: Christchurch International Airport

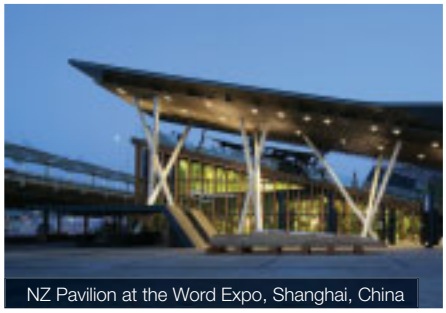
Project: Christchurch International Airport Upgrade, Christchurch, New Zealand

Services: Coffey Projects has been managing upgrades on the airport since 1995 and recently managed domestic and international upgrades including a new baggage handling facility, check-ins into a single check-in hall and staged remodelling of arrival and departure areas.

Client: Macquarie University

Project: Australian Hearing Hub, Sydney, Australia

Services: Project managed to achieve a 5 Star Green Star Design and As-Built rating. It features an anechoic chamber for hearing and sound testing, a wind tunnel for noise testing, audiological hearing testing booths, three Magneto Encephalograph machines which test and map electrical brain activity, a compact Magnetic Resonance Imaging machine for use in radiology for the visualisation of detailed internal structures, and nano/micro-fabrication laser laboratories.



NZ Pavilion at the Word Expo, Shanghai, China

Other Business

coffey rail

SPECIALISTS CONNECTING COMMUNITIES

Coffey Rail is a specialist rail advisory, engineering and management consulting business providing strategic modelling, design, management and implementation services to the rail industry. With expertise and experience in both passenger and freight rail, we offer services across the project lifecycle including: pre-feasibility, project definition, preliminary and detailed design, implementation, commissioning & technical assurance and operations & maintenance.

Core Capabilities

- Strategic project and technical advice, including project feasibility and planning
- Track, civil and structural engineering
- Rail engineering standards development
- Rail operations analysis, advice and optimisation
- Specialist rail project and engineering management
- Rail infrastructure design (signalling, telecommunications, track, civil and rail structures)
- Rail systems engineering, including advanced train control systems
- Level and pedestrian crossing evaluation, design and implementation advisory services
- Rail asset condition assessment and management

Coffey International Limited

2011 Financial Report to Shareholders

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Coffey International Limited
Directors' report

Your Directors present their report on the consolidated entity consisting of Coffey International Limited, domiciled in Australia, and the entities it controlled ("Coffey" or the "Group") at the end of, or during, the year ended 30 June 2011.

Directors
The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Non-executive Directors
- John Mulcahy
- Stuart Black
- Charles Jamieson AM
- Susan Oliver (appointed 1 October 2010)
- Stephen Williams

Executive Directors
- John Douglas (appointed 1 March 2011)
- Roger Olds (stepped down 28 February 2011)

Principal activities
During the year the principal continuing activities of the Group consisted of providing specialist consulting services across the Group's operating service lines.

The following summary describes the operations in each of the key operating segments:

a) Geosciences
The Geoscience business offers specialised environmental services, engineering consultancy, and technical services to the mining industry, scientific testing solutions, management and implementation services to the rail industry, and work place health and safety services. This segment operates in Australia, New Zealand, Canada, UK, Brazil and Africa.

b) International Development
The International Development business works in markets where economic growth creates demand for mature public services and infrastructure; and in countries which are at risk of conflict or natural disaster, or which are emerging from it. The business delivers consulting and training services and outsourced service delivery solutions that contribute to sustainable growth. This segment offers international development (foreign aid) consultancy services out of Australia, USA, UK and the Middle East.

c) Project Management
The Project Management business provides specialist project management services in commercial, retail, residential, tourism and hospitality, industrial, urban redevelopment, health, education, justice and transportation infrastructure projects. This segment operates in Australia, New Zealand and South Africa.

d) Other businesses
This segment offers specialist advisory services within Australia.

Dividends
Dividends paid to members during the current year were as follows:

	2011 $'000	2010 $'000
Final ordinary fully franked dividend for the year ended 30 June 2010 of 3.5 cents (2009:4.5 cents) per fully paid share paid on 29 October 2010	**4,205**	5,529
Interim ordinary fully franked dividend of nil (2010:7.5 cents)	**-**	7,616
Total	**4,205**	13,145

In addition to the above dividends, since the end of the financial year the Directors have recommended that no final ordinary dividend be paid.

Coffey International Limited
Directors' report

Review of operations

Fee revenue of $423.6 million ($411.0 million - Continuing, $12.6 million – Discontinuing) was down 11% ($52.1 million) on last year driven by the completion of key projects in International Development, re-focused Project Management Business, and changes in foreign exchange rates.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was a loss of $39.7 million for the year which included $72.0 million of impairment charges and non-recurring restructuring costs.

The impairment charges and non-recurring restructuring costs of $72 million comprise:

- Restructuring costs of $9.1 million
- Total non-cash impairment charges of $62.9 million:
  - Project Management business $28.4 million
  - Commercial Advisory business $18.7 million
  - Other businesses $5.6 million
  - Businesses divested and held for sale $10.2 million

While the full benefits of the cost reduction program ($18 million) will be realised in FY2012, $6.3 million of savings were realised in the second half of FY2011.

Tax expense of $4.4 million ($4.9 million tax expense – continuing, $0.5 million tax benefit – discontinuing) includes the write-off of deferred tax assets in relation to loss making operations of $3.6 million.

Net operating cash outflow of $4.9 million was impacted by the decreased profitability of the group and the payment of the restructuring costs.

Net debt increased to $121.2 million (FY2010: $100.5 million) as a result of the lower net operating cash flow and $12.5 million of capital outflows which included $8.5 million for the completion of the Adelaide office relocation to "World Park" in the first half of the financial year.

Banking facilities have been extended until February 2014, as announced on 8 June 2011.

Balance sheet flexibility has been achieved with the support of our lender and the reclassification of $40.5 million of current debt to non-current debt post balance date.

For further insights to operations in FY2011 refer to the Managing Director Report.

Earnings per share

	2011 Cents	2010 Cents
Basic earnings per share	**(57.0)**	11.9

Significant changes in the state of affairs

During the year, the Group sold the Environments business in Los Angeles. Refer to note 9 for further information on the disposal.

In the opinion of the Directors, there were no other significant changes in the state of affairs of Coffey International Limited that occurred during the year under review, that were not otherwise disclosed in this report or the financial statements.

Coffey International Limited
Directors' report

Matters subsequent to the end of the financial year
As outlined in note 1a) and note 19, at 30 June 2011 $40.5 million of scheduled facility repayment was due for repayment within 12 months of the balance sheet date and hence classified as a current liability at 30 June 2011. As a result of the Company's negotiations with it's lender subsequent to the balance sheet date as outlined in note 1a) "going concern basis" , an unconditional agreement has been reached to remove any previously scheduled facility repayments from the facility. As such the $40.5 million of debt classified as a current liability as at 30 June 2011 will be reclassified to non-current liabilities at the next reporting date.

Other than the event disclosed above, there were no other matters or circumstances specific to Coffey that have arisen since 30 June 2011 that have significantly affected or may significantly affect:

- the Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

Likely developments and expected results of operations
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 consolidated entity.

Environmental regulation
Coffey International Limited is committed to the protection of the environment, to the health and safety of its employees, contractors, customers and the public at large, and to the compliance with all applicable environmental laws, rules and regulations in the jurisdictions in which it conducts its business. The consolidated entity is not subject to significant environmental regulation in respect of its operations. There are small disposals of waste from the consolidated entity's soil science laboratories. This waste is disposed under licence to an appropriate disposal facility.

Directors' qualifications, experience, other directorships and special responsibilities

John Mulcahy PhD, BE (Civil Eng) (Hons), FIEAust

Chairman, Age 61

Term:	Non-executive Director since September 2009 (2 years), Chairman since November 2010.	
Independent:	Yes.	
Committees:	Chairman	Nomination Committee from 18 November 2010.
	Former Chairman	Remuneration Committee (until 18 November 2010)
	Member	Audit Committee from 18 November 2010.
		Risk Management Committee and Remuneration Committee.
Directorships:	Non-executive Director of Mirvac Limited and GWA Holdings Limited, and a Guardian of the Future Fund of Australia. Former Managing Director and Chief Executive Officer of Suncorp-Metway Limited.	
Experience:	John has more than 27 years of management experience in financial services and property investment. Prior to joining Suncorp, he held a number of senior executive roles at Commonwealth Bank, including Group Executive – Investment and Insurance Services. He also held a number of senior roles during his 14 years at Lend Lease Corporation, including Chief Executive Officer - Lend Lease Property Investment and Chief Executive Officer - Civil and Civic.	

John Douglas BEng (Hons), MBA

Managing Director, Age 49

Term:	Managing Director appointed 1 March 2011
Independent:	No.
Committees:	No Committee membership.
Directorships:	No other listed company directorships.
Experience:	John is a civil engineer who has more than 25 years experience in engineering, strategic consulting and senior management roles across a wide range of industries in Australia and internationally. Prior to joining Coffey, John worked for Boral Limited from 1995 becoming the Executive General Manager of the Australian Construction Materials business in 2004.

Coffey International Limited
Directors' report

Stuart Black FCA, FAICD

Age 56

Term:	Non-executive Director since March 2002 (9 years).	
Independent:	Yes.	
Committees:	Chairman	Audit Committee.
	Member	Remuneration Committee and Nomination Committee.
Directorships:	No other listed company directorships	
	Chair of Chartered Accountants Benevolent Foundation Ltd and a Non-executive Director of The Country Education Foundation of Australia Ltd. Former acting Chair and current Director of the Accounting Professional and Ethical Standards Board Ltd. Past President of the Institute of Chartered Accountants in Australia.	
Experience:	Stuart is Managing Partner in the chartered accounting firm Chapman Eastway. He has extensive experience in professional consultancies, including strategic planning, governance, financial and management accounting and corporate advisory.	

Charles Jamieson AM, BA, DipEd, Hon. FAIEx

Age 67

Term:	Non-executive Director since June 2005 (6 years).	
Independent:	Yes.	
Committees:	Member	Audit Committee.
	Former Member	Nomination Committee (until 18 November 2010).
Directorships:	No other listed company directorships.	
	Non-executive Director of Linfox Pty Limited.	
	Former Director (ex officio) Export Finance & Insurance Corporation 1996-2002	
Experience:	Charles has an extensive career in international business including his former role as Managing Director of Austrade from 1996 to 2002. He also held senior trade and diplomatic positions in a wide range of global market regions and is a former Special Trade Envoy to the Middle East for the Victorian Government. He was appointed as a Member of the Order of Australia in 2004 for his services to trade and investment.	

Susan Oliver, B Bldg (Melb Uni), FAICD

Age 60

Term:	Non-executive Director since October 2010 (1 year).	
Independent:	Yes.	
Committees:	Chairman	Remuneration Committee (from 18 November 2010)
	Member	Risk Management Committee (from 18 November 2010).
Directorships:	Non-Executive Director of VLine Corporation, Programmed Maintenance Services Limited, and Centro Properties Group.	
	Former Non-executive Director of Transurban Group Limited, Just Group Limited and MBF Australia Limited.	
Experience:	Susan is an experienced company Director of 15 years with extensive professional experience in strategy, marketing, technology and scenario planning. She also manages her own consulting and advisory practice and information technology company, and serves on the Victorian government advisory panel for small technologies.	

Coffey International Limited
Directors' report

Stephen Williams LLB

Age 58

Term:	Non-executive Director since November 1994 (16 years).	
	Former Chairman (November 1994 until November 2010)	
Independent:	Yes.	
Committees:	Chairman	Risk Management Committee
	Former Chairman	Nomination Committee (until 18 November 2010)
	Member	Nomination Committee from 18 November 2010.
	Former Member	Audit Committee and Remuneration Committee (until 18 November 2010)
Directorships:	Non-executive Director of PrimeAG Australia Limited.	
	Chair of Axiom Mining Limited since July 2010.	
Experience:	Stephen is a senior partner with Sydney law firm Kemp Strang Lawyers and has extensive legal and commercial expertise gained over 30 years practising as a corporate lawyer in the areas of commercial and corporate law, and in commercial property development, structuring and financing. He acted for the Company as its legal advisor on its initial public offering in 1989.	

Roger Olds BE (Hons), DipGeoEng, FIEAust, CPEng

Former Managing Director, Age 55

Term:	Executive Director from March 1995 and Managing Director from April 1996 until stepping down on 28 February 2011 (Director - 16 years).
Independent:	No.

Directors' interests

The relevant interest of each Director in the share capital of the companies within the consolidated entity, as notified by the Directors to the ASX in accordance with Section 205G of the Corporations Act, at the date of this Report is as follows:

Coffey International Limited – ordinary shares

John Mulcahy	25,000
John Douglas	704,323
Stuart Black	182,653
Charles Jamieson AM	1,000
Susan Oliver	Nil
Stephen Williams	153,902

Company Secretary

Jennifer Waldegrave BBus, CA, GradDipACG, ACIS, MAICD

Appointed Company Secretary of Coffey International Limited on 4 March 2010. Ms Waldegrave is a member of Chartered Secretaries Australia and the Australian Institute of Company Directors, and a Chartered Accountant. She has over 25 years' senior corporate experience in Australian and US listed companies and in her preceding role was Company Secretary for Australian listed company, Wattyl Limited.

Coffey International Limited
Directors' report

Meetings of Directors
The number of meetings of the Board of Directors and of each Board Standing Committee held during the year ended 30 June 2011 and the number of meetings attended by each Director are detailed below:

			Committees									
	Board		Audit		Remuneration		Risk		Nomination		Joint risk and audit	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
J F Mulcahy	27	27	4	4&1#	11	11	4	4	1	1	1	1
S A Black	27	27	6	6	11	11	-	4#	1	1	1	1
J M Douglas	9	9	-	1#	-	4#	-	1#	-	1#	-	-
C E Jamieson AM	27	27	6	6	-	7#	-	-	-	-	1	1
R J Olds	18	15	-	2#	-	4#	2	2&1#	-	-	-	1#
S M Oliver	21	20	-	2#	9	9	2	2	-	-	1	1
S R Williams	27	25	2	2&4#	2	2&8#	4	4	1	1	1	1

A Number of meetings eligible to attend and held while in office
B Number of meetings attended while in office
Number of meetings attended although not a member of the committee

Retirement, election and continuation in office of directors
In accordance with Article 12.3 of the Articles of Association, Mr Charles Jamieson AM and Dr John Mulcahy will retire as Directors of the Company at the 2011 Annual General Meeting (AGM) by way of rotation and, being eligible, intend to offer themselves for re-election. In accordance with Company policy and as outlined in the Corporate Governance Statement Mr Stephen Williams, having been a Director for more than ten years and being eligible, intends to also offer himself for re-election at the AGM.

Insurance of officers
During the financial year, the Group paid a premium to insure the Directors and secretaries of the Company and Group entities, key executives and the general managers of each of the divisions of the consolidated entity.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and/or officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by the Directors and/or officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the Directors and/or officers or the improper use by the Directors and/or officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Coffey International Limited
Directors' report

REMUNERATION REPORT 2011 (AUDITED)

EXECUTIVE SUMMARY

- Fixed remuneration for Key Management Personnel (KMP) has remained unchanged since October 2009, other than a market based adjustment for three KMPs.
- No Short-term Rewards (STRs) were paid to KMPs under the Coffey Rewards Scheme for the 2011 financial year.
- Although contractually entitled to an STR payment, the recently appointed Managing Director has voluntarily foregone this entitlement to align his incentive arrangements with the other KMPs.
- No Long-term Rewards (LTRs) awarded in relation to 2011 financial year.
- STRs were aligned with Coffey's full year performance, as opposed to the previous practice of rewarding STRs twice a financial year.
- 100% forfeiture of the loan-shares and options granted to all long-term reward participants under the November 2008 Performance grant as the performance hurdles (TSR and Operating EPS) were not achieved.
- Non-executive Director (NED) fees have not been increased since October 2008.
- The aggregate NED fee pool limit has not been increased since the 2008 Annual General Meeting despite the appointment of an additional NED as part of the Board renewal process.
- New LTR Scheme launched in July 2011 for the financial year 2012 with allocations contingent on achieving long term results for Shareholders.

The remuneration report sets out the remuneration policy of Coffey International Limited for the year ended 30 June 2011. It provides information about the remuneration arrangements for Key Management Personnel (KMP), which includes Board Non-executive Directors, the Managing Director, and the Executive Management Team.

This report provides the following information:

1 **Remuneration policy, principles and practices**

2 **Relationship between remuneration policy and company performance**

3 **The Board's role in remuneration**

4 **Non executive Director remuneration**

5 **Executive remuneration**

6 **Director and executive remuneration details**

7 **Key terms of employment contracts**

8 **Legacy equity based remuneration**

1. REMUNERATION POLICY, PRINCIPLES AND PRACTICES

1.1 Non executive Director policy

Coffey's Non-executive Director remuneration policy is to provide fair remuneration that is sufficient to attract and retain Directors from a diverse range of backgrounds with experience, knowledge, skills and judgment to steward the company's success.

Coffey International Limited
Directors' report

1.2 Executive remuneration policy

Coffey's executive remuneration objectives are unchanged from the prior period and a review during 2011 confirmed that these policy objectives remain valid. However, Directors have reviewed and authorised changes to some remuneration practices to come into effect from 1 July 2012 to better meet these objectives. These changes include:

- Cease the existing (FY2011) LTR scheme and implement the FY 2012 LTR Scheme from 1 July 2011
- Provide greater emphasis on service line financial performance for service line executive bonuses
- Achieve a better balance in executive focus on both short term and longer term objectives by breaking of the nexus where long term share grants are based on short term performance.

Coffey's executive remuneration objectives and practices as a consequence of these objectives are tabulated below. The table outlines the practices followed for the financial year to 30 June 2011 and the improved practices being implemented for the financial year 2012 in relation to each of the company's reward objectives.

Objectives	Practices aligned with objectives in 2011	New practice adjustments implemented to drive and reward performance in 2012
Attract experienced, proven performers	Provide a total remuneration opportunity positioned between the market median and third quartile.	The 12-month service period to become eligible for a Long Term Reward (LTR) grant has been removed in order to ensure the company is attractive to prospective new executives.
Retain experienced, proven performers, and those considered to have high potential for succession	Provide remuneration that is internally equitable and fair Defer part of pay in the form of equity contingent on service and sustained performance	LTR shares will be contingent on long term performance and allocated with 50% subject to achieving a statutory profit measure (EPS or NPAT) and 50% subject to a TSR hurdle. High performers will be more likely to be retained, as they have the potential to receive higher rewards based on performance.
Focus performance	Provide for a substantial component of pay that is contingent on performance Align the bonus payments pool to a set percentage of EBITDA Focus attention on the most important drivers of value by ensuring that pay is contingent on their achievement	**Short Term Reward** The STR will be simplified by requiring a threshold profit at either group or service line level, and STR payments contingent only on financial requirements. Annual STR bonuses will be variable and aligned with service line, (or Group for functional executives) financial performance. **Long Term Reward** The performance measure for LTR that was contingent on an operating EPS will be replaced by a statutory profit measure (EPS or NPAT). The statutory measure is transparent and will ensure Shareholders' interests are taken into account. Service only grants of loan shares (other than the immaterial companywide employee "loyalty" shares) will be replaced with LTR shares contingent on long term performance. Total Shareholder Return (TSR) will remain as a hurdle for 50% of any LTR allocation. These changes will provide greater focus on drivers of value.

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Objectives	Practices aligned with objectives in 2011	New practice adjustments implemented to drive and reward performance in 2012
Manage risk	Balance the requirement for both short term results and longer term results Reward results sustainability by measuring and rewarding earnings performance over the short term and longer term Set stretch targets that finely balance returns with reasonable but not excessive risk taking.	The size of LTR grants will no longer be contingent on an assessment of short term performance. Removal of this nexus ensures that management is not overly focussed on short term results. This will reduce the prospect of excessive short term risk taking.
Align executive interests with Shareholders	Provide that a significant proportion of pay is delivered as shares	No LTR shares will be granted for FY2011 Performance The new FY2012 LTR Scheme will be implemented effective 1 July 2011. The FY2012 LTR grants are expected to be made in November 2011 with any vesting contingent on achieving long term results for Shareholders. The number of recipients of LTR share grants will be significantly reduced. The LTR plan grants will only be made to Key Management Personnel who have the ability to directly influence Shareholder value over the longer term.

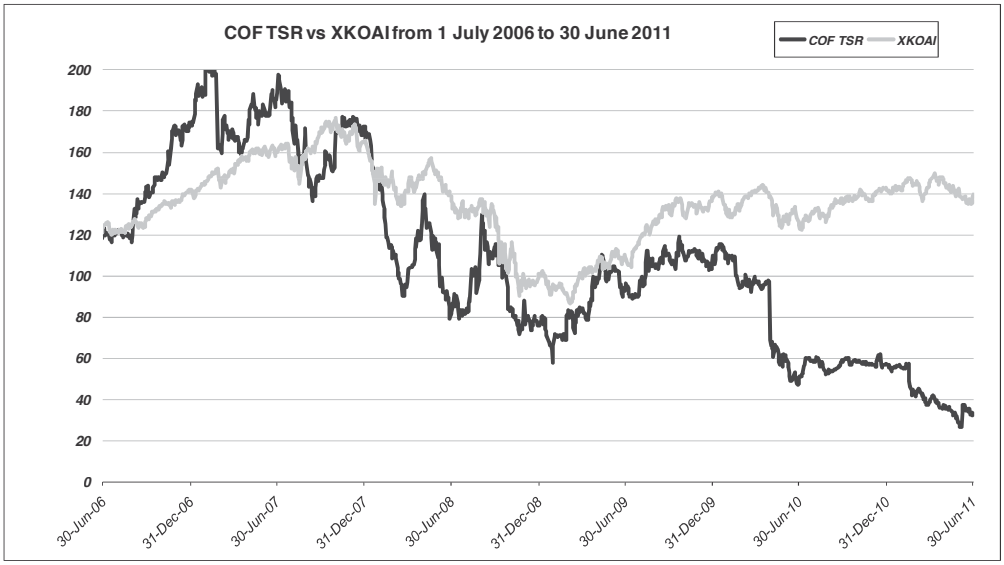
2. RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

Remuneration is aligned with company performance by:

- Requiring a significant portion of executive remuneration to vary with short term and long term performance; and
- Applying challenging financial and non-financial measures of performance.

Operating earnings per share growth and Total Shareholder return (TSR) relative to the S&P ASX 300 Index are key measures for payment of executive long term incentives.

The graph below shows TSR since 1 July 2006, and the relative performance of Coffey against the S&P/ASX 300 Accumulation Index.



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Coffey's performance over the three years from 1 July 2008 to 30 June 2011 has been below the TSR performance hurdle set for the November 2008 LTR grant. Therefore, 100% of the November 2008 LTR loan-shares which were subject to the TSR hurdle have been forfeited.

The Board has resolved that there will be no LTR grant made to any participant for financial year 2011 performance.

The table below shows the performance of Coffey against key indicators over the last five years, including those which impact vesting of long-term incentives.

Year ended 30 June ($ million) (dollar million unless stated otherwise)	2007 restated	2008	2009	2010	2011
Revenue	362.7	558.6	808.7	769.8	680.6
EBITDA	29.1	49.8	56.0	45.5	(39.7)
(Loss)/Profit before tax and minority interests	13.5	27.2	29.0	20.1	(65.4)
Profit after tax	9.1	15.9	16.4	13.8	(69.7)
Share price at the start of the year ($)	$3.10	$4.29	$1.79	$1.89	$0.96
Share price at the end of the year ($)	$4.29	$1.79	$1.89	$0.96	$0.60
Final dividend (cents per share)	8.0c	8.0c	9.0c	4.5c	3.5c
Interim dividend (cents per share)	7.0c	7.0c	8.5c	7.5c	-
Basic earnings per share (cents)	9.3c	13.9c	14.5c	11.9c	(57.0c)
Diluted earnings per share (cents)	9.2c	13.0c	13.3c	10.8c	(57.0c)
Operating earnings per share (cents)	16.0c	20.8c	20.1c	16.3c	(54.7c)

Note: All of the information above relates to both continuing and discontinuing operations.

In the current financial year, the Company's performance and Shareholder return has been such that no short-term rewards have been paid to any participant under the STR scheme.

Furthermore, 100% of the loan-shares granted to all Long-term Reward participants in the November 2008 performance grant, which were subject to the OEPS hurdle, have been forfeited.

3. THE BOARD'S ROLE IN REMUNERATION

The Board engages with Shareholders, management, and other stakeholders as required to continuously refine and improve, executive and Director remuneration polices.

The Remuneration Committee has been established by the Board of Directors to assist in discharging its responsibilities in relation to:

- The remuneration of the Board;
- The performance and remuneration of the Managing Director and direct reports to the Managing Director (Management Team) of the Company;
- Remuneration strategies, practices and disclosures generally;
- Employee share and option plans;
- Management succession, capability and talent development; and
- Diversity (excluding Board diversity which is a responsibility of the Nomination Committee).

Further details of the committee's responsibilities are outlined in the Corporate Governance Statement. The committee reviews remuneration strategy and policy on an annual basis for all employees including the Managing Director and Management Team. The decisions of the committee are subject to approval by the Board.

The committee has the authority to engage external professional advisers without seeking approval of the Board or management. During the reporting period, the Remuneration Committee retained Guerdon Associates as its adviser for 2012 remuneration structure. AON Hewitt Associates provided advice for non-executive Director and executive remuneration benchmarking.

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4. DESCRIPTION OF NON-EXECUTIVE DIRECTOR REMUNERATION

There has been no change to the basis of non-executive Director fees since the prior reporting period. The non-executive Director fee structure has remained unchanged since October 2008.

Fees paid to Non-executive Directors (NEDs) reflect the responsibilities of and the demands made on the Directors. NEDs' fees are determined within the aggregate NEDs' fee pool limit of $700,000 which was approved by Shareholders in November 2008. In the current financial year, fees paid to NEDs totalled $618,134 (inclusive of superannuation).

NEDs are remunerated by way of fixed fees in the form of cash and superannuation in accordance with Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations.

The following fee structure (inclusive of superannuation) has applied to NEDs since October 2008:

		Chair	Member
Board base fees		$190,000*	$100,000
Committee fees	Audit	$20,000	$10,000
	Remuneration	$20,000	$5,000
	Risk Management	$20,000	$5,000
	Nomination	$Nil	$Nil

* The Chairman of the Board receives no standing committee fees in addition to his Board fees.

Remuneration tables for NEDs for the financial year ended 30 June 2011 are set out in Section 6 of this report. Shareholdings of NEDs are set out in the Directors' Report.

The Company and each of the NEDs have agreed terms of appointment together with a Deed of Access, Insurance and Indemnity and a Disclosure Deed (as permitted under the ASX Listing Rules). NEDs are not appointed for a specific term and their appointment may be terminated by notice from the individual Director or otherwise pursuant to sections 203B or 203D of the Corporations Act 2001.

5. DESCRIPTION OF EXECUTIVE REMUNERATION

5.1 Executive remuneration structure

Executive remuneration has a fixed component, a component that varies with performance, and a component that varies with service.

The variable component ensures that a proportion of pay varies with performance. Performance is assessed annually for performance periods covering one year and 3 years. Payment for performance assessed over one year is a short term reward (STR). Payment for performance over a 3 year period is a long term reward (LTR).

The service based payment recognises that after several years in Coffey employees acquire a depth and/or breadth of skills and knowledge that is valuable and difficult to replace. The final vesting of this payment requires these people to continue to stay with Coffey for a period of 3 years.

Total remuneration is the sum of all pay components. If performance targets are achieved, total remuneration will be at a level greater than 50% of comparable companies, but less than the highest paying 25% of companies. Coffey's actual positioning is at this level when compared to peers with similar revenues.

5.2 Fixed remuneration

Fixed remuneration is the sum of salary and employee benefits, including superannuation, any car parking, and other non-monetary items.

Remuneration is benchmarked against a peer group of direct competitors and a general industry peer group.

While market levels of remuneration are monitored on a regular basis, there is no contractual requirement or expectation that any adjustments will be made.

The only adjustments to executive fixed remuneration in 2011 were for three key executives who received market based adjustments in October 2010.

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5.3 Short-term Reward (STR)

5.3.1 STR overview

The STR plan provides for an annual payment that varies with annual performance. This has been applied to performance measured over the company's financial year to 30 June 2011.

The STR payment is made in cash after finalisation of the annual audited results.

No STRs were paid to key management personnel executives under the Coffey Rewards Scheme for the 2011 financial year.

5.3.2 STR maximum and target levels

Achievement of stretch goals will result in a "target" payment STR. Achievement beyond these required levels could result in a higher STR payment. However, the maximum STR that can be earned is capped to limit the potential for excessive risk taking.

Target and maximum STR payments are expressed as a percentage of fixed remuneration. These are tabulated below.

	Target STR as % of fixed remuneration	Maximum STR as % of fixed remuneration
Managing Director	50%	75%
Management Team members	20% to 25%	30% to 37.5%

5.3.3 STR performance requirements

STR is contingent on achieving predetermined targets for a set of Key Performance Indicators (KPIs). Each year, the Remuneration Committee considers the appropriate targets and KPIs to link the STR scheme and the level of payout if targets are met.

The KPI details are tabulated below.

KPI	Weighting	Measure
Profit	50%	NPAT – Managing Director (MD) and Functional Executives Service Line Gross Profit – Service Line Executives
Cash flow	20%	Cash flow before financing and M&A activities – MD and Functional Executives Service Line Working Capital Days - Service Line Executives
Client satisfaction	10%	Pulse of market survey question - "Would you engage Coffey in the Future", plus more in-depth business relationship interviews
Health, safety, security and the environment	10%	Employee survey on leadership effectiveness in these areas, plus number of site inspections
Employee engagement	10%	Employee engagement survey score

5.3.4 Calculating STR awards

The overall level of achievement is expressed as a percentage score. The maximum percentage is 150%. This score is multiplied by the target STR reward. However, there is a final adjustment before payment is made.

To ensure STR payments are directly correlated with the company's profitability, a budgeted STR pool is calculated by:

- Assuming participants on average attain target performance
- Summing the target STR costs for all participants
- Dividing this by budgeted profit to arrive at the STR profit pool %

After all KPI scores have been assessed, an individual's actual STR is calculated by:

- Multiplying the STR profit pool % by actual profit (EBITDA)
- Dividing an individual's provisional STR amount by the sum of all individual provisional STR amounts to calculated a % of the STR profit pool to go to the individual
- Multiplying this individual's % by the STR profit pool

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5.3.5 STR tabular summary

The following table outlines the major features of the financial year 2011 STR plan.

Purpose of STR plan	Focus performance on drivers of Shareholder value over 12 month period; and Ensure a part of remuneration costs varies with the company's 12-month performance.
STR cost limits	STR pool created as a set % or EBITDA, so that STR varies with the company's capacity to pay.
Maximum STR that can be earned	Managing Director: 75% of fixed remuneration Management Team members: 30% to 37.5% of fixed remuneration
Percentage of STR that can be earned on achieving target expectations	Managing Director: 50% of fixed remuneration Management Team members: 20% to 25% of fixed remuneration For an executive to receive more will require performance in excess of target expectations.
Discretion to vary payments	The Board has absolute discretion to vary payments.
Performance period	1 July 2010 to 30 June 2011
Performance assessed	August 2011, following release of audited accounts
Additional service period after performance period for payment to be made	None
Payment made	October 2011
Payment vehicle	Cash
Performance requirements	Financial requirements: • NPAT or Service Line Gross Profit • Cash flow or Service Line working capital days Non-financial requirements: • Safety and environment • Employee engagement • Client satisfaction
New recruits	New executives (either new starts or promoted employees) are eligible to participate in the STR in the year in which they commence in their position with a pro-rata entitlement.
Terminating executives	There is no STR entitlement where an executive's employment terminates prior to the end of the financial year unless they terminate as a result of retirement, death or disability. In these cases performance is assessed and an appropriate payment made pro rated with service.

The Board retains the right to vary from policy in exceptional circumstances. However, material variation from policy and the reasons for it will be disclosed.

There has been one variation from policy during this fiscal period. Mr John Douglas was appointed from 1 March. Given that the appointment was after the start of financial year, Mr Douglas's pro rata STR was not incorporated into the STR profit pool % of EBITDA. KPIs were set that realistically reflected what could be achieved between 1 March and 30 June, given this appointment was from outside the company. His KPIs, while fitting within the financial, customer, safety and leadership framework applicable to other executives, were to focus on improving EPS and TSR, completing a restructure to align the company's cost base with its revenues, develop systems and pathways to allow strategy achievement, and engage with the senior leadership team to make this happen. The final STR determination for 2011 was at the discretion of the Board.

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5.4 Long-term reward (LTR) performance incentive

5.4.1 LTR performance incentive overview

Executives participate in a LTR performance incentive plan (Coffey Rewards Share Plan). This is an equity-based plan that provides for a reward that varies with company performance over 3-year measures of performance. Three year measures of performance are considered to be the maximum reasonable time period that financial projections and detailed business plans can be made.

An equity grant is made only to those with satisfactory achievement of Personal KPIs under the STR plan for the prior period at the discretion of the Board. The performance of the individual will determine the relative number of securities which the executive is granted.

The grant is in the form of shares acquired by a limited recourse loan from the company. The Directors determine allocations of shares and the loan incurred by the employee is calculated as the market value of Coffey International Limited shares at the date of acquisition multiplied by the number of shares acquired on their behalf.

The shares are issued and held in a trust (or reallocated from forfeited shares held in the trust). Dividends on the shares held in trust are applied to pay down the employee's loan.

Due to their limited recourse nature, the arrangements are not considered a loan for related party disclosure purposes.

All shares issued to the Coffey Rewards Share Plan rank equally with all other fully-paid ordinary shares on issue.

The 2011 LTR incentive represents an entitlement to ordinary shares subject to satisfaction of LTR performance conditions and a continued employment condition.

LTR incentive grants are in two equal tranches, with each tranche subject to an independent performance requirement. The performance requirements for both tranches share two common features:

- Once minimum performance conditions are met, the proportion of shares that qualifies for vesting gradually increases pro rata with performance. This approach avoids "cliff" vesting, where a large proportion of reward either vests or does not vest either side of a minimum performance requirement. This approach reduces the incentive for excessive risk taking as the performance threshold for payment is reached.
- The maximum reward is capped at a 'stretch' performance level that is considered attainable without excessive risk taking.

The 2011 LTR incentive grants (which relate to performance for the 2010 financial year) were made on 3 December 2010, with performance conditions measured over the 3-year period from 1 July 2010 to 30 June 2013.

All shares held in the Trust will be forfeited if the Board determines that an executive has committed an act of fraud, dishonesty or gross misconduct or in other circumstances specified by the Board.

5.4.2 Maximum LTR performance incentive grant

Maximum annual LTR performance incentive grants are expressed as a percentage of fixed remuneration. These are tabulated below.

	LTR as % of fixed remuneration
Managing Director*	40%
Management Team members	17.6% to 20%

*Applicable only to the former Managing Director, Mr. Roger Olds.

5.4.3 Performance requirements

One tranche of performance contingent shares in the 2011 LTR grant qualifies for vesting subject to performance relative to other companies, while the other tranche of performance contingent shares qualifies for vesting subject to an absolute performance requirement. Each tranche is of equal value.

The relative performance requirement is based on Total Shareholder Return (TSR). Coffey's TSR is calculated as the difference in share price over the performance period, plus the value of shares earned from reinvesting dividends received over this period, expressed as a percentage of the share price at the beginning of the performance period.

The percentage change of Coffey's TSR is compared to the percentage change in the S&P/ASX 300 Accumulation Index. Shares held in trust will not vest until Coffey's TSR is above the Index return. On exceeding the Index return performance shares will start to vest on a prorated basis until 100% vest when Coffey's TSR is 15% above the index.

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The graduated rate of vesting after meeting the minimum TSR performance requirement is more conservative than most companies that have a relative TSR performance requirement. Coffey's Directors believe that this more graduated vesting provides better risk management because it reduces the tendency for excessive risk taking stemming from executives having very significant difference in reward outcomes either side of a performance "cliff".

The absolute performance requirement applicable to the other tranche of shares is based on Operating Earnings Per Share (OEPS) growth over the 3-year performance period to 30 June 2013. OEPS is calculated as Coffey's net profit after tax excluding amortisation, vendor earn out and vendor share-based payment expense attributable to the ordinary equity holders of the Company.

The tranche of shares dependent on the OEPS performance condition begins to vest when OEPS compound annual growth exceeds 10% over the period on pro rata basis to fully vest at 18% compound annual OEPS growth.

Coffey's Directors believe that more graduated vesting provides better risk management because it reduces the tendency for excessive risk taking stemming from executives having very significant difference in reward outcomes either side of a performance "cliff".

5.4.4 Tabular LTR performance incentive summary

The following table outlines the major features of the LTR grant during the year in respect of performance for the 2010 financial year.

Purpose of LTR performance incentive	Focus performance on drivers of Shareholder value over a three-year period; Manage risk by countering any tendency to overemphasise short term performance to the detriment of longer term growth and sustainability; and Ensure a part of remuneration costs varies with the company's longer term performance.
Maximum value of equity that can be granted	Managing Director: 40% of fixed remuneration Other executives: 17.6% to 20% of fixed remuneration
Service period to be eligible	12 months
Performance period	1 July 2010 to 30 June 2013
Performance assessed	July 2013 for the TSR measure, August 2013 for the OEPS measure
Shares vest	November 2013
Payment vehicle	Performance contingent shares subject to loan repayment
Performance conditions	In addition to the continued employment up to the vesting date, there are 2 performance conditions. Each applies to half the shares granted to each executive. Relative TSR The relative total Shareholder return (TSR) performance condition is based on the Company's total Shareholder return (TSR) performance relative to the TSR of companies comprising the S&P/ASX 300 Accumulation Index at the start of the performance period, measured over the 3 years to 30 June 2013. The performance vesting scale applicable to the shares subject to the relative TSR test are:

Coffey Limited's TSR Ranking	% of Shares subject to TSR condition that qualify for vesting
Less than the index return	0%
Above 0% and less than 15% above the index	Pro rata
15% or more above the index	100%

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Performance conditions (continued)	OEPS growth The operating earnings per share (OEPS) growth performance condition are based on the Company's compound annual OEPS growth over the three years to 30 June 2013. The performance vesting scale applicable to the shares subject to the EPS growth test is:

Coffey Limited's OEPS compound annual growth	% of Shares subject to OEPS Condition that qualify for vesting
<10%	0%
10% to < 18%	Shares vest on a pro rata basis so that 12.5% of the performance contingent shares in the tranche vest for every one percent increase in OEPS growth between 10% and 18%,
18% or more	100%

Dilution and cash flow	Shares are newly issued to minimise the impact on cash flow. Employee equity plan shares are limited to 5% of total issued shares outstanding over a 5 year period.
Treatment of dividends and voting rights on performance contingent shares	Dividends are received by the trust. The trust repays the loan provided by the company to acquire the shares.
Restriction on hedging	Hedging of entitlements under the plan is not permitted. Coffey's Securities Dealing Policy prohibits Designated Persons from hedging an exposure to unvested or vested Coffey Securities held through Coffey's rewards plans.
New recruits	New executives (either new starts or promoted employees) are eligible to participate on the first grant date applicable 12 months after they commence in the position.
Terminating executives	All shares in the 2011 LTR grant will be forfeited where an executive's employment terminates prior to 30 June 2013 unless the termination is due to retirement, death or disablement or the Board determines that the executive will be eligible to be treated as a "Good Leaver".
Change of control (defined as lodgement of Part A or Part C offers under the Corporations Act)	Board has discretion on vesting

The Board retains the right to vary from policy in exceptional circumstances. However, material variation from policy and the reasons for it will be disclosed.

There has been variation from policy during this fiscal period. On his appointment as Managing Director, Mr John Douglas, was granted LTR shares without the required 12 month service period. This variation from policy was to ensure that Mr. Douglas was aligned with Shareholder requirements and the other members of the management team who had been granted LTR shares.

The Managing Director's initial grant of shares was not subject to Shareholder approval under the ASX Listing Rules. His OEPS performance requirement measurement period is 1 March 2011 to 28 February 2014, with a performance requirement of growth above 8% for shares to vest, to a maximum of 16% growth for 100% vesting. His TSR measurement period is 8 February 2011 to 28 February 2014. Coffey's TSR is compared to the S&P/ASX 300 Accumulation Index. If, at the testing date, the Coffey TSR is determined to be at least 3.75% above the Index 25% will vest, and then pro rata to 100% if 15% above the ASX300 Index. The performance measures are the same as those of the management team, while the performance period is aligned with the Managing Director's start date. The Board will disclose the performance and vesting outcomes relating to this performance period in the 2014 annual remuneration report.

5.5 Service based equity

Recipients of the LTR incentive grant also received a grant of equity subject to a service condition. This policy applied to ensure pay was aligned with Shareholder interests, and that over time individuals who had acquired deep and broad knowledge of the company, its customers and technical and commercial strengths could build up unvested stakes in the company to assist in their retention.

The grant of equity to LTR recipients subject to a service condition has been discontinued from 30 June 2011.

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As for the LTR incentive grants, the shares were acquired by the employee with a loan with recourse limited to the market value of the shares at time of vesting. Vesting is contingent on an additional service period of three years. Dividends received during his period are applied to pay down the loan.

The value of these payments as a percentage of fixed remuneration is tabulated below.

	Service grant as % of fixed remuneration
Managing Director*	10%
Management Team members	4.4% to 5%

*Applicable only to the former Managing Director, Mr. Roger Olds.

Apart from the grant of service based shares to just LTR incentive grant recipients noted above, all company employees who met long service requirements received separate grants of shares also contingent on service known as "Loyalty" shares.

"Loyalty" shares recognise that after 5 years in Coffey employees acquire skill and knowledge that is valuable and difficult to replace. The purpose of this equity is to provide an incentive for these individuals to remain with the company.

The annual value of these grants is $1,400 for employees who achieve 5 years service, but then decreases in steps to $500 at 21 years or greater service.

The final vesting of these shares requires these employees to continue to stay with the company for a period of at least three years.

Consistent with policy for other employees, executives who had been employed for at least 5 years received a zero interest limited recourse loan to acquire these shares, to be held in trust, with vesting contingent on an additional service period of three years. Dividends received during this period are applied to pay down the loan. Vesting prorated with service may occur before the 3-year service requirement in the event of retirement, redundancy or disability.

5.6 Termination payments in addition to statutory payments to key management personnel during the year

Name	Position	Termination date	Payment	Other
R Olds	Managing Director	28 February 2011	$1,185,000, being 18 months' severance in lieu of notice in accord with the terms of his contract dated 3 March 2008. 596 shares contingent on service vested prorated with service	Unvested performance shares continue to be held in trust, with vesting subject to achievement of requirements 1,113 shares contingent on service lapse At the discretion of the new Managing Director, Mr Olds may provide consulting at an agreed, arms length rate of $600 per hour during a contract period of 15 months, with 2 months notice for termination of the agreement by either party Mr. Olds is restrained from providing services to competitors for at least for the term of the consultancy and 12 months after the termination of the consultancy agreement
D Goodin	Group Executive Operations	27 August 2010	$500,000, being a negotiated settlement	n/a
M Newton	Group Executive Human Resources	31 July 2011	$96,200 being 3 months' severance in lieu of notice in accord with contract terms	Unvested performance shares continue to be held in trust, with vesting subject to achievement of requirements

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6 DIRECTOR AND EXECUTIVE REMUNERATION DETAILS

6.1 Nominated executives

The Nominated Executives include the five most highly remunerated executives and the Key Management Personnel of Coffey International Limited comprising the Directors and the Management Team.

The current members of the Management Team include:

- J Douglas — Managing Director and Chief Executive
- M Croudace — Group Executive Business Development
- U Meyerhans — Chief Financial Officer
- M Newton — Group Executive Human Resources
- R Simpson — Group Executive Strategy
- S Pathmanandavel — Group Executive Geotechnics
- D Browne — Group Executive Environments
- M Renehan — Group Executive Information
- R Slater — Group Executive Mining
- K Tucker — Group Executive Project Management
- G Simpson — Group Executive International Development
- G Hardy — Group Executive Commercial Advisory (ceased employment on 18 March 2011)
- C Tyrrell — Group Executive Rail and Acting Group Executive Commercial Advisory (from 18 March 2011)

The following executives were also members of the Management Team and included as Key Management Personnel during the year:

- R Olds — Managing Director and Chief Executive (ceased employment on 28 February 2011)
- D Goodin — Group Executive Operations (ceased employment on 27 August 2010)

The five most highly remunerated executives were:

- U Meyerhans — Chief Financial Officer
- R Olds — Managing Director and Chief Executive (ceased employment on 28 February 2011)
- M Thomas — APAC Regional Manager (ceased employment on 11 February 2011)
- D O'Toole — Group General Manager Operations (ceased employment on 1 July 2011)
- D Goodin — Group Executive Operations (ceased employment on 27 August 2010)

The Key Management Personnel of the Group are the Key Management Personnel of the Company.

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6.2 Remuneration summary tables

Details of the remuneration of the Nominated Executives of Coffey International Limited and the Coffey International Limited Group are set out in the following tables.

The share-based payments included in the following tables relate to LTR grants for performance in FY10 and prior years.

Remuneration (Company and Group) 2011

	Short-term employment benefit		Post- employment benefit						
Name	**Salary & fees $**	**STR cash bonus $**	**Superannuation/ Retirement benefits $**	**Long service leave $**	**Termination benefits $**	**Share based payments+ $**	**Total $**	**Performance related potential remuneration**	**% value remuneration consisting of loan shares**
Non-executive Directors									
J Mulcahy	150,983	-	13,281	-	-	-	164,264	0%	0%
S Black	98,694	-	8,883	-	-	-	107,577	0%	0%
C Jamieson AM	100,917	-	9,083	-	-	-	110,000	0%	0%
S Oliver[1]	81,245	-	7,312	-	-	-	88,557	0%	0%
S Williams	135,726	-	12,010	-	-	-	147,736	0%	0%
Executive Directors									
J Douglas[2]	253,551	-	5,261	421	-	22,245	281,478	55%	8%
R Olds[3]^	525,760	-	11,399	28,321	1,185,000	167,829	1,918,309	52%	9%
Key Management Personnel									
M Croudace	484,800	-	15,199	1,838	-	11,268	513,105	34%	2%
U Meyerhans^	535,456	-	15,199	1,910	-	9,811	562,376	34%	2%
M Newton[4]	384,800	-	15,199	1,471	96,200	8,951	506,621	34%	2%
R Simpson	324,800	-	15,199	5,991	-	12,056	358,046	34%	3%
S Pathmanandavel	286,144	-	15,199	19,283	-	10,832	331,458	30%	3%
D Browne	286,839	-	15,124	14,998	-	7,041	324,003	30%	2%
M Renehan	314,193	-	15,199	539	-	736	330,667	30%	0%
R Slater	295,820	-	15,199	1,412	-	-	312,431	32%	0%
C Tyrrell[5]	284,161	-	11,373	479	-	-	296,013	34%	0%
K Tucker	376,207	-	25,690	7,596	-	8,646	418,139	34%	2%
G Simpson	386,634	-	15,199	16,308	-	34,120	452,261	34%	8%
D Goodin[6]^	83,907	-	17,829	20,880	500,000	10,302	632,918	34%	2%
G Hardy[7]	188,527	-	11,107	1,453	-	1,585	202,673	34%	1%
Other									
M Thomas^	234,878	-	20,168	22,201	449,689	37,241	764,177	34%	5%
D O'Toole[8]^	356,723	-	15,199	22,522	281,000	36,504	711,948	28%	5%

1 Appointed on 1 October 2010.
2 Appointed on 1 March 2011.
3 R Olds stepped down as Managing Director on 28 February 2011 and as such ceased to be a KMP at that date.
4 M Newton ceased employment on 31 July 2011 and as such ceased to be a KMP at that date.
5 C Tyrrell appointed on 30 September 2010.
6 D Goodin ceased employment on 27 August 2010 and as such ceased to be a KMP at that date.
7 G Hardy ceased employment on 18 March 2011 and as such ceased to be a KMP at that date.
8 D O'Toole ceased employment on 1 July 2011.

^ Denotes one of the 5 highest paid executives of the Company, as required under the Corporations Act 2001.
+ The fair value of the share-based payments is calculated as set out in note 32 and is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the share-based payments recognised in this reporting period. In valuing the share-based payments, market conditions have been taken into account.

Coffey International Limited
Directors' report

Remuneration (Company and Group) 2010

	Short-term employment benefit		Post- employment benefit						
Name	**Salary & fees $**	**STR cash bonus $**	**Superannuation/ Retirement benefits $**	**Long Service Leave $**	**Termination benefits $**	**Share based payments+ $**	**Total $**	**Performance related potential remuneration**	**% value remuneration consisting of loan shares**
Non-executive Directors									
J Mulcahy[1]	79,005	-	7,110	-	-	-	86,115	0%	0%
S Black[2]	123,853	-	11,147	-	-	-	135,000	0%	0%
C Jamieson AM	103,225	-	9,290	-	-	-	112,515	0%	0%
S Williams	175,539	-	14,461	-	-	-	190,000	0%	0%
Executive Directors									
R Olds^	767,429	-	14,461	31,649	-	58,012	871,551	52%	7%
G Simpson[3]	87,142	9,348	3,407	9,038	-	7,373	116,308	40%	6%
Key Management Personnel									
M Croudace	472,462	-	14,461	2,263	-	8,414	497,600	35%	2%
U Meyerhans^	522,782	-	14,461	2,193	-	5,646	545,082	35%	1%
M Newton	373,770	-	14,461	1,815	-	6,642	396,688	35%	2%
R Simpson	309,846	-	14,461	17,824	-	15,223	357,354	35%	4%
D Goodin^	460,431	-	14,461	18,294	-	24,172	517,358	35%	5%
S Dunkerley[4]^	352,692	-	14,461	-	168,736	5,978	541,867	35%	1%
Other									
A Saffer[5]^	308,087	-	18,829	-	283,672	-	610,588	35%	0%

1 J Mulcahy was appointed as a Director on 24 September 2009.
2 Due to an administrative error Mr Black's remuneration was overstated by $10,000 during FY10. This overpayment has been repaid by Mr Black in FY11.
3 G Simpson ceased to be a Director on 24 September 2009.
4 S Dunkerley ceased employment on 14 May 2010 and as such ceased to be a KMP at that date.
5 A Saffer ceased to be an executive of the Americas region on 13 April 2010.

^ Denotes one of the 5 highest paid executives of the Company, as required under the Corporations Act 2001.

+ The fair value of the share-based payments is calculated as set out in note 32 and is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the share-based payments recognised in this reporting period. In valuing the share-based payments, market conditions have been taken into account.

Coffey International Limited
Directors' report – Remuneration Report (continued)

6.3 Relative proportion Nominated Executive potential remuneration for the period that are fixed and those linked to individual and Company performance

Name	Fixed remuneration	Performance related potential remuneration		% value remuneration consisting of loan-shares[8]	
		At risk - STR	At risk - LTR		
	2011	2011	2011	2011	2010
Executive Directors					
J Douglas[1]	45%	33%	22%	8%	-
R Olds[2^]	48%	28%	24%	9%	7%
Key Management Personnel					
M Croudace	66%	17%	17%	2%	2%
U Meyerhans[^]	66%	17%	17%	2%	1%
M Newton[3]	66%	17%	17%	2%	2%
R Simpson	66%	17%	17%	3%	4%
S Pathmanandavel	70%	15%	15%	3%	-
D Browne	70%	15%	15%	2%	-
M Renehan	70%	15%	15%	-	-
R Slater	68%	16%	16%	-	-
C Tyrrell[4]	66%	17%	17%	-	-
K Tucker	66%	17%	17%	2%	-
G Simpson	66%	17%	17%	8%	6%
D Goodin[5^]	66%	17%	17%	2%	5%
G Hardy[6]	66%	17%	17%	1%	-
Other					
M Thomas[^]	66%	17%	17%	5%	-
D O'Toole[7^]	72%	14%	14%	5%	-

^ Denotes one of the 5 highest paid executives of the parent entity, as required under the Corporations Act 2001.

1 J Douglas was appointed as Managing Director on 1 March 2011.
2 R Olds stepped down as Managing Director on 28 February 2011 and as such ceased to be a KMP at that date.
3 M Newton ceased employment on 31 July 2011 and as such ceased to be a KMP at that date.
4 C Tyrrell appointed on 30 September 2010.
5 D Goodin ceased employment on 27 August 2010 and as such ceased to be a KMP at that date.
6 G Hardy ceased employment on 18 March 2011 and as such ceased to be a KMP at that date.
7 D O'Toole ceased employment on 1 July 2011.
8 The percentage of the value of remuneration consisting of share-based payments, based on the value of share-based payments expensed during the current year.

Coffey International Limited
Directors' report

6.4 Details of Nominated Executive remuneration: variable "at risk" remuneration

For each STR and LTR amount in the above tables, the percentage of the available STR and LTR that was paid with respect to the 2011 financial year and the percentage that was forfeited because the person did not meet the performance criteria, or was voluntarily forfeited based on overall performance of the group, are set out below.

No part of the STR in the table below is payable in future years.

	Short-term rewards		Long-term rewards (subject to vesting hurdles)	
Name	**Paid %**	**Forfeited %**	**Granted %**	**Forfeited %**
Executive Director				
J Douglas[1]	0%	100% voluntarily foregone*	Initial grant on appointment only	N/A
R Olds[2^]	0%	100%	0%	100%
Key Management Personnel				
M Croudace	0%	100%	0%	100%
U Meyerhans[^]	0%	100%	0%	100%
M Newton[3]	0%	100%	0%	100%
R Simpson	0%	100%	0%	100%
S Pathmanandavel	0%	100%	0%	100%
D Browne	0%	100%	0%	100%
M Renehan	0%	100%	0%	100%
R Slater	0%	100%	0%	100%
C Tyrrell[4^]	0%	100%	0%	100%
K Tucker	0%	100%	0%	100%
G Simpson	0%	100%	0%	100%
D Goodin[5^]	0%	100%	0%	100%
G Hardy[6]	0%	100%	0%	100%
Other				
M Thomas[^]	0%	100%	0%	100%
D O'Toole[7^]	0%	100%	0%	100%

^ Denotes one of the 5 highest paid executives of the Company, as required under the Corporations Act 2001.

1 J Douglas was appointed as Managing Director on 1 March 2011.
2 R Olds stepped down as Managing Director on 28 February 2011 and ceased to be a KMP at that date.
3 M Newton ceased employment on 31 July 2011 and as such ceased to be a KMP at that date.
4 C Tyrrell appointed on 30 September 2010.
5 D Goodin ceased employment on 27 August 2010 and as such ceased to be a KMP at that date.
6 G Hardy ceased employment on 18 March 2011 and as such ceased to be a KMP at that date.
7 D O'Toole ceased employment on 1 July 2011.

* J Douglas was contractually entitled to an STR payment of $120,000 for financial year 2011 which he has voluntarily foregone in order to align his incentive arrangements with the other KMPs.

Coffey International Limited
Directors' report – Remuneration Report (continued)

6.5 Loan share movements in the Coffey Rewards Share Plan on behalf of the Nominated Executives

The loan share grants relate to performance of the Nominated Executives in FY2010 not FY2011.

The Non-executive Directors of Coffey International Limited do not participate in the Coffey Rewards Share Plan.

	Plan name	Granted (number)	Vested (number)	#Forfeited (number)	Exercised (number)
Executive Directors					
J Douglas[1]	Performance	694,323	-	-	-
R Olds[2^]	Service	101,414	181,504	1,113	-
	Performance	402,308	-	158,944	-
Key Management Personnel					
M Croudace	Service	31,829	-	-	-
	Performance	127,312	-	-	-
U Meyerhans[^]	Service	35,011	-	-	-
	Performance	140,044	-	-	-
M Newton[3]	Service	25,463	-	-	-
	Performance	101,850	-	-	-
R Simpson	Service	23,985	1,889	-	6,650
	Performance	86,572	-	50,092	-
S Pathmanandavel	Service	18,342	11,966	-	6,650
	Performance	70,022	-	24,136	-
D Browne	Service	17,823	-	-	-
	Performance	71,296	-	15,412	-
M Renehan	Service	4,465	-	-	-
	Performance	17,858	-	-	-
K Tucker	Performance	-	-	28,898	-
G Simpson	Service	34,786	14,800	-	-
	Performance	135,800	-	62,614	-
D Goodin[4^]	Service	-	-	30,493	-
	Performance	-	-	121,970	-
G Hardy[5]	Service	-	-	2,320	-
	Performance	-	-	9,280	-
Other					
M Thomas[^]	Service	18,468	32,635	-	-
	Performance	64,504	-	39,736	-
D O'Toole[6^]	Service	15,252	7,557	-	3,325
	Performance	54,320	-	24,082	-

^ Denotes one of the 5 highest paid executives of the Company, as required under the Corporations Act 2001.

1 J Douglas was appointed as Managing Director on 1 March 2011.
2 R Olds stepped down as Managing Director on 28 February 2011 and ceased to be a KMP at that date.
3 M Newton ceased employment on 31 July 2011 and as such ceased to be a KMP at that date.
4 D Goodin ceased employment on 27 August 2010 and as such ceased to be a KMP at that date.
5 G Hardy ceased employment on 18 March 2011 and as such ceased to be a KMP at that date.
6 D O'Toole ceased employment on 1 July 2011.
Shares subject to OEPS hurdle were legally cancelled on 10 August 2011.

The current year grant date was 3 December 2010, the expiry date is 30 November 2015, the exercise price was initially value of loan and the grant date value is set out above. The loan balance payable on exercising of the shares reduces by the dividends per share paid during periods from grant date to exercise date.

Coffey International Limited
Directors' report

6.6 Grants under the Coffey Rewards Share Plan to Nominated Executives together with vesting details.

"Performance" grants

Name	Plan year	Loan-shares granted	Vested	#Forfeited	Earliest vesting date	Fair value at grant date $
Executive Directors						
J Douglas[1]	2010	694,323	-	-	10-Mar-14	215,761
R Olds[2^]	2008	158,944	-	100%	28-Nov-11	93,141
	2009	162,400	-	-	30-Nov-12	173,010
	2010	402,308	-	-	3-Dec-13	82,041
Key Management Personnel						
M Croudace	2009	35,264	-	-	30-Nov-12	37,581
	2010	127,312	-	-	3-Dec-13	25,962
U Meyerhans[^]	2009	23,644	-	-	30-Nov-12	25,197
	2010	140,044	-	-	3-Dec-13	28,558
M Newton[3]	2009	27,840	-	-	30-Nov-12	29,669
	2010	101,850	-	-	3-Dec-13	20,770
R Simpson	2008	50,092	-	100%	28-Nov-11	29,354
	2009	32,480	-	-	30-Nov-12	36,414
	2010	86,572	-	-	3-Dec-13	17,654
S Pathmanandavel	2008	24,136	-	100%	28-Nov-11	14,144
	2009	19,376	-	-	30-Nov-12	20,649
	2010	70,022	-	-	3-Dec-13	14,279
D Browne	2008	15,412	-	100%	28-Nov-11	9,031
	2009	24,746	-	-	30-Nov-12	26,372
	2010	71,296	-	-	3-Dec-13	14,539
M Renehan	2010	17,858	-	-	3-Dec-13	3,642
K Tucker	2008	28,898	-	100%	28-Nov-11	16,934
	2009	30,932	-	-	30-Nov-12	32,964
	2010	-	-	-	-	-
G Simpson	2008	62,614	-	100%	28-Nov-11	36,692
	2009	102,080	-	-	30-Nov-12	108,787
	2010	135,800	-	-	3-Dec-13	25,693
D Goodin[4^]	2008	*61,650	-	100%	28-Nov-11	36,127
	2009	*60,320	-	100%	30-Nov-12	64,283
G Hardy[5]	2009	9,280	-	100%	30-Nov-12	9,890
	2010	-	-	-	-	-
Other						
M Thomas[^]	2008	39,736	-	100%	28-Nov-11	23,285
	2009	11,774	-	-	30-Nov-12	12,548
	2010	64,504	-	-	3-Dec-13	13,154
D O'Toole[6^]	2008	24,082	-	100%	28-Nov-11	14,112
	2009	23,200	-	-	30-Nov-12	24,724
	2010	54,320	-	-	3-Dec-13	11,007

^ Denotes one of the 5 highest paid executives of the parent entity, as required under the Corporations Act 2001.

1 J Douglas was appointed as Managing Director on 1 March 2011.
2 R Olds stepped down as Managing Director on 28 February 2011 and ceased to be a KMP at that date.
3 M Newton ceased employment on 31 July 2011 and as such ceased to be a KMP at that date.
4 D Goodin ceased employment on 27 August 2010 and as such ceased to be a KMP at that date.
5 G Hardy ceased employment on 18 March 2011 and as such ceased to be a KMP at that date.
6 D O'Toole ceased employment on 1 July 2011.
Shares subject to OEPS hurdle were legally cancelled on 10 August 2011.

* D Goodin ceased employment on 27 August 2010 and as a result forfeited all loan-shares granted but not vested at that date.

Coffey International Limited
Directors' report – Remuneration Report (continued)

"Service" grants

Name	Plan year	Loan-shares granted	Vested %	#Forfeited %	Earliest vesting date	Fair value at grant date $
Executive Directors						
R Olds[1^]	2008	40,217	100%	-	28-Nov-11	29,901
	2009	40,986	100%	-	30-Nov-12	45,252
	2010	101,414	99%	1%	3-Dec-13	5,296
Key Management Personnel						
M Croudace	2009	8,816	-	-	30-Nov-12	9,729
	2010	31,829	-	-	3-Dec-13	1,412
U Meyerhans[^]	2009	5,916	-	-	30-Nov-12	6,529
	2010	35,011	-	-	3-Dec-13	1,553
M Newton[2]	2009	6,980	-	-	30-Nov-12	7,861
	2010	25,463	-	-	3-Dec-13	1,129
R Simpson	2008	13,870	-	-	28-Nov-11	10,312
	2009	8,120	-	-	30-Nov-12	8,961
	2010	23,985	-	-	3-Dec-13	3,301
S Pathmanandavel	2008	6,996	-	-	28-Nov-11	5,202
	2009	4,844	-	-	30-Nov-12	5,346
	2010	18,342	-	-	3-Dec-13	1,612
D Browne	2008	3,853	-	-	28-Nov-11	2,865
	2009	6,187	-	-	30-Nov-12	6,828
	2010	17,823	-	-	3-Dec-13	790
M Renehan	2010	4,465	-	-	3-Dec-13	1,980
K Tucker	2008	7,225	-	-	28-Nov-11	5,372
	2009	7,734	-	-	30-Nov-12	8,535
G Simpson	2008	16,135	-	-	28-Nov-11	11,996
	2009	25,906	-	-	30-Nov-12	26,590
	2010	34,786	-	-	3-Dec-13	2,342
D Goodin[3^]	2008	15,413	-	100%	28-Nov-11	11,460
	2009	15,080	-	100%	30-Nov-12	16,642
G Hardy[4]	2009	2,320	-	100%	30-Nov-12	2,560
Other						
M Thomas[^]	2008	9,934	100%	-	28-Nov-11	7,386
	2009	6,574	100%	-	30-Nov-12	7,255
	2010	16,127	100%	-	3-Dec-13	-
D O'Toole[5^]	2008	6,984	-	-	28-Nov-11	5,143
	2009	6,573	-	-	30-Nov-12	7,254
	2010	15,252	-	-	3-Dec-13	2,274

^ Denotes one of the 5 highest paid executives of the parent entity, as required under the Corporations Act 2001.

1 R Olds stepped down as Managing Director on 28 February 2011 and as such ceased to be a KMP at that date.
2 M Newton ceased employment on 31 July 2011 and as such ceased to be a KMP at that date.
3 D Goodin ceased employment on 27 August 2010 and as such ceased to be a KMP at that date.
4 G Hardy ceased employment on 18 March 2011 and as such ceased to be a KMP at that date.
5 D O'Toole ceased employment on 1 July 2011.

Shares subject to OEPS hurdle were legally cancelled on 10 August 2011.

Coffey International Limited
Directors' report

7. EXECUTIVE SERVICE AGREEMENTS

Remuneration and other terms of employment for the Nominated Executives are formalised in employment agreements. Each of these agreements provide for the provision of performance-related cash bonuses and participation, when eligible and to the extent determined by the Board, in the Coffey Rewards Share Plan (formerly Coffey International Limited Employee Leveraged Share Plan) or the Coffey Rewards Options Plan (for executives whose country of residence prevents them from participation in the Rewards Share Plan).

All Key Management Personnel (KMP) executives have a restriction on engaging in competitive behaviour post employment. Except as noted below, no termination benefits exist other than as required by the relevant legislation.

Name	Position	Term of agreement	Termination notice
Current KMPs			
J Douglas	Managing Director	No fixed term	6 months by employee 12 months by employer
M Croudace	Group Executive Business Development	No fixed term	3 months
U Meyerhans	Group Executive Finance	No fixed term	6 months
R Simpson	Group Executive Strategy	No fixed term	4 weeks
S Pathmanandavel	Group Executive Geotechnics	No fixed term	4 weeks
D Browne	Group Executive Environments	No fixed term	4 weeks
M Renehan	Group Executive Information	No fixed term	4 weeks
C Tyrrell	Group Executive Rail	No fixed term	3 months
R Slater	Group Executive Mining	No fixed term	4 weeks
K Tucker	Group Executive Projects	No fixed term	3 months
G Simpson	Group Executive International Development	No fixed term	13 months
Former KMPs			
R Olds[1]	Former Managing Director	No fixed term	6 months by employee 18 months by employer
M Newton[2]	Group Executive Human Resources	No fixed term	3 months
G Hardy[3]	Group Executive Commercial Advisory	No fixed term	4 weeks
D O'Toole[4]	Group General Manager Operations	No fixed term	4 weeks
D Goodin[5]	Group Executive Operations	No fixed term	3 months
M Thomas[6]	Regional Manager APAC	No fixed term	4 weeks

1 Termination of employment 28 February 2011
2 Termination of employment 31 July 2011
3 Termination of employment 18 March 2011
4 Termination of employment 1 July 2011
5 Termination of employment 27 August 2010
6 Termination of employment 11 February 2011

Coffey International Limited
Directors' report – Remuneration Report (continued)

8. LEGACY EQUITY BASED REMUNERATION

Legacy Coffey equity based remuneration plans in which executives retained an interest during the reporting period are:

- 2009 executive December grant
- 2008 executive November grant

Details of legacy equity plans are tabulated below.

Plan name	Type of award	Eligibility	Performance requirements	Service requirements	Vesting schedule
2009 executive share plan	Grant of restricted shares acquired with a limited recourse loan delivered in three tranches in the following proportions: Tranche 1 20%; Tranche 2 40%; and Tranche 3: 40%.	Key management Personnel (KMP) executives with a minimum 5 years service for Tranche 1, and 12 months service for Tranches 2 and 3.	Tranche 1: No performance requirement Tranche 2: Coffey's TSR to be above the return of the S&P/ASX300 Accumulation Index for any vesting, to a maximum of 15% for maximum vesting. Tranche 3: Operating Earnings per Share (OEPS) growth greater than 6%, up to 14%. The performance period for both tranches 2 and 3 is 3 years.	The service condition for all tranches requires that the executive remains employed to 30 June 2012.	Tranche 1: 100% vests at the completion of the service period. Tranches 2 and 3 have graduated vesting from the minimum performance requirement to the maximum performance requirement on a pro rated basis.
2008 executive share plan	Grant of restricted shares acquired with a limited recourse loan delivered in three tranches in the following proportions: Tranche 1 20%; Tranche 2 40%; and Tranche 3: 40%.	Key management Personnel (KMP) executives with a minimum 5 years service for Tranche 1, and 12 months service for Tranches 2 and 3.	Tranche 1: No performance requirement Tranche 2: Coffey's TSR to be better than -10% of the return of the S&P/ASX300 Accumulation Index for any vesting, to a maximum of 20% above for maximum vesting. Tranche 3: Operating Earnings per Share (OEPS) growth greater than 6%, up to 12%. The performance period for both tranches 2 and 3 is 3 years.	The service condition for all tranches requires that the executive remains employed to 30 June 2011.	Tranche 1: 100% vests at the completion of the service period. Tranches 2 and 3 have graduated vesting from the minimum performance requirement to the maximum performance requirement on a pro rated basis.

(End of Remuneration report.)

Coffey International Limited
Directors' report

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.

Non-audit services
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (KPMG) for audit and non-audit services provided during the year are set out in note 26.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporation Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 26 to the financial statements, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Auditors' independence declaration
A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 46.

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. Amounts in the Directors' report and 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.

Auditor
KPMG continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the Directors.

John F Mulcahy
Chairman

John M Douglas
Managing Director

Sydney
2 September 2011

Coffey International Limited
Lead Auditor's Independence Declaration

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Coffey International Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

J Wigglesworth
Partner

Sydney

2 September 2011

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards legislation.

Coffey International Limited
Corporate governance statement

COFFEY'S APPROACH TO CORPORATE GOVERNANCE

Coffey International Limited (Coffey or the Company) supports the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (Principles or Recommendations). Coffey is committed to establishing governance systems that deliver best practice in corporate governance and transparency in reporting. This is an ongoing commitment, requiring continual review, modification and enhancement of governance systems.

This statement explains how Coffey conforms to the Principles.

In June 2010 the ASX Corporate Governance Council released amendments to the Principles (Amended Principles), in particular in relation to diversity. While the changes do not take effect until the first financial year beginning on or after 1 January 2011 (being the financial year commencing 1 July 2011 in our case), Coffey has already taken steps to early adopt key provisions of the Amended Principles as outlined in this statement.

Where to locate Coffey's corporate governance information online

The charters, codes and policies in respect of Coffey's corporate governance practices referred to in this Statement are available on the corporate governance section of the Coffey website – www.coffey.com.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 – *Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions*

Board responsibilities

The Coffey Board (Board) is responsible for the overall corporate governance of Coffey.

The Board Charter sets out the following objectives of the Board:

- provide strategic guidance for Coffey and effective oversight of management;
- optimise Coffey's performance and Shareholder value within a framework of appropriate risk assessment and management; and
- recognise Coffey's legal and other obligations to all legitimate stakeholders.

The Board derives its authority to act from the Company's Constitution and the Board's responsibilities are encompassed in a formal Charter which the Board is responsible for reviewing annually and amending as required. The Charter was most recently reviewed and amended in April 2011.

The matters that the Board has specifically reserved for its decision are:

- oversight of the Company including its controls and accountability systems;
- providing input into, reviewing and approving Coffey's strategic plans and performance objectives, and monitoring performance against those plans;
- approving and monitoring financial outcomes and the integrity of financial reporting;
- protecting Coffey's financial position and its ability to meet its debts as and when they fall due;
- approving and monitoring the progress of major capital expenditure, capital management (including determining Coffey's dividend policy and declaring dividends), and acquisitions and divestitures;
- reviewing and monitoring the effectiveness of Coffey's systems of risk management and internal control;
- evaluating the performance of the Board, determining its size and composition and setting Non-executive Director remuneration within Shareholder approved limits;
- appointing, approving terms of engagement and termination benefits, and monitoring the performance of the Managing Director (MD) and, if appropriate, terminating the appointment of the MD;
- ratifying the appointment and removal of any Executive Director, the Chief Financial Officer, any other member of the Management Team and the Company Secretary, approving their terms of engagement and termination benefits, and monitoring their performance;
- planning for Board, MD and Management Team succession;
- establishing Coffey's culture and values, and monitoring compliance with legislative and regulatory requirements (including continuous disclosure) and ethical standards, including reviewing and ratifying codes of conduct and compliance systems;
- promoting diversity on the Board, reviewing and approving Coffey policies in relation to diversity, approving the measurable objectives and monitoring progress towards their achievement;
- monitoring the timeliness and effectiveness of communications with Shareholders and other stakeholders;
- approving and monitoring policies governing Coffey's relationship with other stakeholders and the broader community, including policies in relation to environmental management and occupational health and safety; and
- reviewing and recommending to Shareholders the appointment or, if appropriate, the termination of the appointment of the external auditor.

While at all times the Board retains full responsibility for guiding and monitoring Coffey, in discharging its responsibilities it makes use of Board Committees. Specialist Committees are able to focus on a particular area of responsibility, and report and provide recommendations to the Board.

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The Board has established the following standing Committees:

- Audit Committee (see Principle 4);
- Nomination Committee (see Principle 2);
- Remuneration Committee (see Principle 8); and
- Risk Management Committee (see Principle 7);

All Coffey Directors receive copies of all Board Committee papers, including minutes, and may attend meetings of all Board Committees whether or not they are Committee members provided no conflict of interest exists.

The Chair of each Committee reports back on the Committee matters, conclusions and recommendations to the Board at the next full meeting.

Delegation to management

The Board has delegated to the MD and, through the MD, to the Management Team responsibility for the day-to-day management and operations of Coffey and implementation of the Company's strategy and policy initiatives. The MD and Management Team are accountable to the Board for performance of these duties, including:

- developing and implementing corporate strategies and making recommendations to the Board on significant corporate strategic initiatives;
- developing Coffey's annual budget and managing day-to-day operations within the budget;
- maintaining effective risk management and compliance management frameworks;
- appointing senior management, including determining terms of appointment, evaluating performance, and developing and maintaining succession plans for senior management roles;
- managing day-to-day operations in accordance with standards for social, ethical and environmental practices;
- promoting diversity within all levels of the organisation, developing and implementing policies and initiatives in relation to diversity, and monitoring and assessing progress towards achievement of the measurable objectives; and
- keeping the Board and market fully informed about material continuous disclosure.

Specific limits on the authority delegated to the MD and the Management Team are set out in the Delegation of Authority Policy approved by the Board.

Management Team

The Management Team comprises the MD and the direct reports to the MD.

Each Management Team member is employed under a service agreement which sets out the terms on which the executive is employed, including details of the executive's duties and responsibilities, rights and remuneration entitlements. The service agreement also sets out the circumstances in which the employment of the executive may be terminated by either Coffey or the executive, including details of the notice periods required to be given by either party and the amounts payable to the executive as a consequence of the termination by Coffey of the executive's employment.

Each member of the Management Team is employed by Coffey on a permanent basis.

Key terms of these service agreements are detailed in the Remuneration Report in this Annual Financial Report.

Recommendation 1.2 – *Companies should disclose the process for evaluating the performance of senior executives*

The performance of Management Team members is reviewed annually against key performance measures as part of Coffey's performance management system, which is in place for all managers and employees. The system includes processes for the setting of key performance measures at the commencement of the financial year and the annual assessment of performance against these measures. Some performance measures, such as Coffey's overall financial performance, are common for the Management Team. Other performance measures are specifically set in line with the individual role and responsibilities of the Management Team member.

The following process for Management Team performance evaluation was undertaken in the reporting period:

- the Chairman and Non-executive Directors, with the assistance of the Remuneration Committee, reviewed the performance of the Managing Director; and
- the Board, with the assistance of the Remuneration Committee, reviewed the performance of the other members of the Management Team.

Details of the evaluation process and the linkages between the result of performance evaluations and remuneration are disclosed in the Remuneration Report in this Annual Financial Report.

An induction program is in place to enable newly appointed Management Team members to gain an understanding of:

- the Company's financial position, strategies, operations and risk management policies; and
- the respective rights, duties, responsibilities and roles of the Board and the Management Team.

Principle 2: Structure the Board to add value

Together, the Board members represent a diverse range of backgrounds and have a broad range of financial and other skills, experience and expertise necessary to oversee Coffey's business. The Board's size and composition are subject to limits imposed by the Company's Constitution, which provides for a minimum of three Directors and a maximum of seven (or such number within this range as the Board may determine from time to time).

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The Board currently comprises five Non-executive Directors and one Executive Director.

The Managing Director is the Executive Director and Chief Executive Officer of Coffey. As part of its ongoing renewal and succession planning process, the Board intends to appoint an independent Non-executive Director in the 2012 financial year.

The Directors of Coffey at any time during the financial year are listed with a brief description of their qualifications, experience and special responsibilities in the Directors' Report of this Annual Financial Report.

During the financial year, Ms Susan Oliver was appointed as a Non-executive Director and Mr John Douglas was appointed as Managing Director. Mr Roger Olds stepped down as Managing Director in February 2011.

The Board met 27 times during the financial year. Directors' attendances are set out in the Directors' Report of this Annual Financial Report. The Non-executive Directors also met without the presence of management during the financial year.

Recommendation 2.1 – *A majority of the Board should be independent Directors*

As required under the Board Charter and the Principles, the Board comprises a majority of independent Non-executive Directors. The Board regularly assesses the independence of all Non-executive Directors in accordance with the principles set out below.

Independent advice

Under the Board Charter, the Board collectively, an individual Director, or a Committee, has the right to seek independent professional advice at Coffey's expense to help them carry out their responsibilities.

Before the external advice is sought, consent, which cannot be unreasonably withheld, needs to be obtained as follows:

- the Board – from the Chair;
- individual Director – from the Chair or the relevant Committee Chair;
- Committee – from the Committee Chair; or
- Chairman – from the next most senior Non-executive Director (longest serving).

Directors have unfettered access to Coffey records and information reasonably necessary to fulfil their responsibilities. Directors also have access to the Company Secretary on any matter relevant to their role as a Director. In addition, the Board has access to other relevant employees or external parties, including the external auditors and internal auditors, to seek additional information concerning Coffey's business.

Director independence

The Board Charter states that Coffey will regard a Non-executive Director as independent if the Director is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their judgement as a Director of the Company.

In assessing Non-executive Director independence, the Board reviews the relationship that the Director, and the Director's associates, have with Coffey. In determining whether a Non-executive Director is independent, the Board considers whether the Director:

- is a substantial Shareholder of Coffey or an officer of, or otherwise associated directly with, a substantial Shareholder of Coffey;
- within the last three years, has been employed in an executive capacity by Coffey;
- within the last three years, has been:
  - a principal of a material professional adviser to Coffey;
  - a material consultant to Coffey; or
  - an employee materially associated with the service provided by such adviser or consultant to Coffey;
- is a material supplier to, or customer of, Coffey, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with Coffey other than as a Director of Coffey;
- has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in Coffey's best interests; or
- has any interest, or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in Coffey's best interests.

The Board has determined materiality thresholds for assessing the independence of Directors.

Under those thresholds:

- a person will be regarded as a substantial Shareholder if they hold more than five percent of Coffey's voting shares;
- an adviser will be a material professional adviser or consultant where the annual billings to Coffey are more than five per cent of the adviser's or consultant's total annual revenues or in aggregate, for each adviser or consultant, equal or exceed $500,000;
- a supplier to Coffey will be a material supplier where Coffey accounts for more than five per cent of the supplier's annual revenues; and
- a customer of the Company will be a material customer where the customer accounts for more than five per cent of Coffey's annual revenues, or Coffey accounts for more than five per cent of the customer's annual costs.

Whether or not a material contractual relationship exists will be determined, on a case-by-case basis, consistent with these thresholds.

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Where a Director has dealings with, or is involved in, other companies or relationships to which this section applies, such dealings are disclosed publicly in the Director and executive disclosures note to the Annual Financial Report in accordance with law.

Applying these criteria the Board has determined that save for Mr Douglas (who is an Executive Director), all other Directors are independent.

Current year - consideration of relationships and impact on independence

An entity connected with Mr Williams provided legal services to Coffey during the year with annual billings to Coffey totalling $51,916, as described in note 25 to the financial statements. Mr Williams declared his interest in those dealings to Coffey and took no part in decisions relating to them or any preceding discussions.

The Board, having considered the business dealings disclosed by Mr Williams, has determined that these business dealings do not materially interfere with the effective performance of the responsibilities of the Director.

Term of office – annual re-election

Mr Williams joined the Board of Coffey in November 1994. The Board recognises that Mr Williams' tenure could be perceived to materially interfere with his ability to act independently.

The Board has considered Mr Williams' length of service and formed the view that it has not interfered with his ability to execute his role as a Non-executive Director with an independent mind. Mr Williams remains independent and continues to significantly contribute with effectiveness because of his personal characteristics of integrity, objectivity and professionalism, and the breadth and depth of industry and company knowledge he brings to share with other Board members.

However, to avoid any potential concerns in this regard, the Board requires any Director with ten or more years of service as a Director to offer himself for re-election every year, and by doing so, the Board provides Shareholders with the opportunity to consider the degree to which the Director is making a significant contribution to Coffey and make a balanced assessment of the Director's actual and perceived independence.

Recommendation 2.2 – *The chair should be an independent Director*

Under the Board Charter, the Board elects a Chairman from among the Non-executive Directors. It is a requirement of the Charter that the Chairman be independent.

Recommendation 2.3 – *The roles of Chair and Chief Executive Officer should not be exercised by the same individual*

The requirement in the Board Charter that the Chairman be appointed from among the Non-executive Directors means that the roles of Chairman and Managing Director are not exercised by the same individual.

The Chairman presides over Board meetings and Shareholder meetings. Under the Board Charter, the Chairman is also responsible for:

- leading the Board in reviewing and discussing Board matters;
- managing the efficiency and conduct of the Board's function;
- briefing all Directors in relation to key issues arising at Board meetings;
- facilitating effective contribution by all Directors and monitoring Board performance;
- guiding Board deliberations, free of undue bias;
- promoting constructive relations between Directors and between the Board and management;
- overseeing that membership of the Board is skilled and appropriate for Coffey's needs;
- reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board; and
- overseeing the implementation of policies and systems for Board performance review and renewal.

The Chairman must ensure that General Meetings are conducted efficiently, and that Shareholders have adequate opportunity to air their views and obtain answers to their queries.

Recommendation 2.4 – *The Board should establish a nomination committee*

The Board has established a Nomination Committee comprising three independent Non-executive Directors:

John Mulcahy (Chairman), Stuart Black and Stephen Williams.

The Managing Director is invited to attend meetings as required.

The Committee Charter states that the role of the Committee is to assist and advise the Board on matters relating to:

- composition of the Board (including Board diversity);
- Board and Chair succession planning;
- Director independence; and
- performance of the Board.

The Committee collectively and its members individually have access to internal and external resources, including access to advice from external consultants or specialists.

The Committee has a formal Charter that is required to be reviewed annually. The Charter was most recently reviewed in May 2011. The Company Secretary is the secretary to the Committee.

The Committee meets as required and at least annually and met once during the year. Details of Directors' attendances are set out on page 23 of this Annual Financial Report.

Process of selection and appointment of new Directors

When a vacancy arises, the Nomination Committee considers candidates with a broad range of skills, experience and expertise from a diverse range of backgrounds, including gender. Candidates are considered on merit and against objective criteria, and with due regard for the benefits of diversity on the Board, including gender.

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When the Board considers that a suitable candidate has been found, that person is appointed by the Board to fill a casual vacancy in accordance with Coffey's Constitution, but must stand for election by Shareholders at the next Annual General Meeting.

New Directors are given a thorough briefing by the Chair and/or Company Secretary on key Board issues and provided with appropriate induction documentation. These include:

- Coffey's financial, strategic, operational and risk management position;
- their rights, duties and responsibilities; and
- the role of the Board and the Board Committees.

Recommendation 2.5 – *Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors*

Under the Board Charter, the Board is required to conduct a formal review of its effectiveness and the effectiveness of its Committees and individual Directors annually. During the financial year, the Board completed a review of its own performance, the performance of its Committees and the performance of individual Directors. That review involved each Director, the Chief Financial Officer and the Company Secretary completing a questionnaire covering:

- the role of the Board;
- Board composition;
- Board committee structure and committee effectiveness;
- Board operations and dynamics;
- Board meetings;
- Board member performance; and
- Board Chair performance.

The aggregate results of the questionnaire were discussed at a subsequent Board meeting. The Chairman also met separately with each Director to discuss individual responses to the questionnaire.

The Board Charter requires that every three years, the Board consider engaging an external consultant to conduct a comprehensive review of the effectiveness of the Board, its Committees and individual Directors. After considering the financial performance of the Company, its limited resources and the potential distraction of a prolonged assessment process, the Board has deferred the engagement of an external consultant to be considered by the Board for the 2012 evaluation.

During the financial year, the Audit, Remuneration and Risk Committees also completed a detailed review of their own performance. That review involved each Committee member, the Managing Director and the relevant Management Team members completing a questionnaire. In addition, the external auditors were invited to provide feedback on the Audit Committee performance and effectiveness.

The reviews found that the Committees each had been effective in performing their responsibilities under the Committee Charters. Each Committee set aside time at one of its scheduled meetings to discuss its performance over the year in achieving the objectives set out in its Charter and to consider areas to continue improving its effectiveness.

The evaluation of the Managing Director and Management Team performance is discussed in the Remuneration Report in this Annual Financial Report.

Principle 3: Promote ethical and responsible decision making

Coffey recognises that its reputation is one of its most valuable assets, and is founded largely on the ethical behaviour and integrity of the people who represent the organisation around the world.

Recommendation 3.1 – *Companies should establish a code of conduct*

All behaviours within Coffey are measured against our Vision, Promise and Behaviours statement set out below.

This ethical framework provides the foundation for maintaining and enhancing Coffey's reputation.

Our Vision: Global specialists solving emerging challenges to improve the lives of communities.

Our Promise: We share your challenge and passionately deliver smarter solutions.

Our Behaviours:

- Owning and delivering our vision, promise and behaviours
- Be healthy and safe
- Respect for all
- Act with integrity
- Create the space for great team work and innovation
- Demonstrate "Breakthrough Leadership"
- Think Business Development – stand in the market
- Appreciating "The Deal"
- Passion for and from our people
- Value clients and contacts

The Board has approved a Code of Conduct that sets out the principles for ethical behaviour by all Coffey employees. Coffey's Code of Conduct therefore commits its Directors, employees, contractors and consultants (all of which are referred to as 'employees' in the Code) to not only comply with the law, but to conduct business in accordance with the highest ethical conduct and is structured to enhance Coffey's core values, which guide the policies, programs and training initiatives.

Any breach of the Code of Conduct is a serious matter that may give rise to disciplinary action, including dismissal and legal action.

Coffey is committed to the highest standards of integrity, fairness and ethical conduct, including full compliance with all relevant legal obligations. There is no circumstance under which it is acceptable for Coffey or a person associated with Coffey to knowingly or deliberately not comply with the law or to act unethically in the course of performing or advancing Coffey's business.

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Behaviour of this kind will lead to disciplinary measures that may include dismissal.

All new Coffey employees are provided with Coffey's Code of Conduct on induction.

Recommendation 3.2 (removed in Amended Principles) – *Companies should establish a policy concerning trading in securities by Directors, senior executives and employees*

Coffey has a policy applying to all Directors, the Management Team, other Designated Persons, employees, contractors and consultants that prohibits insider trading in accordance with the Corporations Act and prescribes certain requirements for dealing in Coffey Securities (including in certain circumstances, restrictions on dealing in Coffey Securities by a direct family member).

Coffey Directors, the Management Team and other employees are prohibited from dealing in, or influencing others to deal in, Securities of Coffey or any other listed company if:

- they possess information about Coffey or another company that is not generally available to the market; and
- the information, if it were generally available to the market, would be likely to influence persons who commonly acquire securities, in deciding whether or not to acquire or dispose of securities in Coffey or another company.

Additionally, under the policy:

- Unless they have prior written approval, Coffey People must not deal in Coffey Securities during the following Blackout Periods:
  - during the period from the end of the relevant financial year or half year until one trading day after the release of the Company's financial results to the market.
- Before any Designated Person, including the Directors, Management Team members and other executives and managers, deals in any Coffey Securities at any time, including outside a Blackout Period, they must discuss the proposed dealing with (and obtain prior written approval from):
  - the Chairperson, in the case of the Directors, the Managing Director, Chief Financial Officer and the Company Secretary;
  - the Managing Director, Company Secretary or Chairperson, in the case of other Management Team members, senior executives and managers; or
  - the Chair of the Audit Committee, in the case of the Chairperson.
- It is prohibited for any Director, Management Team member, or any other employee to deal in Coffey Securities for short-term gain (within any six month period).
- Any Director who intends to enter into a margin loan or similar funding arrangement to acquire any Coffey Securities must disclose those dealings in writing to the Company Secretary prior to entry into the arrangement. The Director must ensure the terms of the arrangement does not require, or allow for, the disposal of the Coffey Securities at any time when the Policy would prohibit the Director from dealing in the Coffey Securities.
- It is prohibited for employees to enter into any scheme, arrangement or agreement that may alter the economic benefit derived by the employee with respect to their participation in any unvested equity-based reward.

The Securities Dealing Policy was most recently reviewed and amended in April 2011.

All new Coffey employees are provided with Coffey's Securities Dealing Policy on induction.

Recommendation 3.2 (Amended Principles): *Companies should establish a Diversity policy.*

Coffey has considerable diversity in its workforce, and has an ongoing commitment to diversity and providing a work environment that is inclusive and where all employees are treated with dignity, courtesy and respect. At Coffey, diversity includes differences that relate to gender, age, ethnicity, disability, religious beliefs, sexual orientation and cultural background.

Coffey recognises that having a diverse workforce is a key competitive advantage which promotes innovation, strengthens problem solving capability, enhances understanding of the needs of our customers and enables superior business and personal results. Coffey acknowledges that diversity brings many benefits and encourages greater diversity in the workplace.

The Board has approved policies in relation to diversity at Board level and at all levels below the Board in early adoption of the Amended Principles. These policies provide a platform for an integrated diversity management policy across the group, leveraging initiatives already in place within Coffey's service lines and improving governance and monitoring of diversity at all levels. A management diversity council is being established, to be chaired by the Managing Director, to monitor progress and report to the Remuneration Committee on the effectiveness of diversity related initiatives, including progress against specific objectives in line with the policy.

Responsibility for diversity has been included in the Board Charter, the Nomination Committee Charter (Board diversity) and the Remuneration Committee Charter (diversity at all levels of the organisation below Board level).

The Board has established measurable objectives for improving gender diversity, which will be reviewed annually.

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Recommendation 3.3 (Amended Principles): *Companies should disclose the measurable objectives for achieving gender diversity and progress towards achieving them.*

Coffey has established the following measurable objective for improving gender diversity:

"To increase the percentage of women at all levels in the Company, including management, executive and Board levels."

An assessment of progress towards achievement of this objective will be undertaken by the Nomination Committee (Board) and Remuneration Committee (all levels below Board) and included in the Company's 2012 Annual Financial Report.

Recommendation 3.4 (Amended Principles): *Companies should disclose the proportion of women employees in the organisation.*

The table below shows the proportion of women employees across the Coffey group as at 9 June 2011:

Position	By Number	By Percentage
Board member	1	17%
Senior Manager	53	13%
Other	712	34%
TOTAL	**766**	**30%**

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1 – *The Board should establish an audit committee*

The Board has established an Audit Committee comprising three independent Non-executive Directors:

Stuart Black (Chairman), John Mulcahy and Charles Jamieson AM.

Its primary function is to assist the Board in the discharge of its responsibilities with regard to independently verifying and safeguarding the integrity of Coffey's financial reporting.

Recommendation 4.2 – *The audit committee should be appropriately structured*

Under its Charter, the Audit Committee must have at least three members, all of whom must be independent Non-executive Directors. The Chair of the Board is not permitted to chair this Committee.

The Charter also requires that all members have a working familiarity with basic accounting and finance practices and that at least one member have relevant financial qualifications and expertise (Mr Black). The Committee must also include members with an understanding of the industry in which Coffey operates. The Chair of the Risk Management Committee has a standing invitation to attend committee meetings.

Further details of the qualifications and experience of all Committee members are disclosed on pages 20 to 22 of this Annual Financial Report. The Committee meets as required, and at least four times per year. In addition, the Committee meets in a joint session with the Risk Management Committee at least annually. The Committee met six times during the year. Directors' attendances are set out on page 23 of this Annual Financial Report.

The Managing Director, Chief Financial Officer, Group Financial Controller and external auditors have a standing invitation to attend Committee meetings. The internal auditors attend meetings at the discretion of the Committee. The Company Secretary is the secretary to the Committee.

The Committee meets privately with the external auditor on general matters concerning the external audit and other related matters, including the half year and full year financial reports. The Committee also meets privately with the internal auditor and in private session with management.

The Committee collectively, and its members individually, have access to internal and external resources, including access to advice from external consultants or specialists.

Recommendation 4.3 – *The audit committee should have a formal charter*

The Committee has a formal Charter that is required to be reviewed annually. The Charter was most recently reviewed in November 2010.

The Charter sets out the roles and responsibilities, composition, structure and membership requirements of the Committee including liaison with, and reporting to, the Board Risk Management Committee.

The Committee's primary responsibilities include:

- monitoring the integrity of financial reporting;
- monitoring the effectiveness of financial risk management processes;
- monitoring the effectiveness of the internal controls environment;
- monitoring and reviewing the effectiveness and performance of Internal Audit;
- monitoring and reviewing the external auditor's qualifications, performance and independence;
- liaison with Board Risk Management Committee; and
- monitoring legislative and regulatory compliance.

Auditor independence

Coffey's External Auditor Independence Policy contains details of the procedures for the selection and appointment of the external auditor and for reviewing the independence of the external auditor.

The external auditor is precluded from providing any services that might threaten their independence, or conflict with their assurance and compliance role. The Directors have concluded that non-audit services provided during the financial year did not compromise the external auditor's independence requirements under the Corporations Act 2001.

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The lead and signing external audit partners are required to rotate off the audit after a maximum of five years.

The internal audit function may not be performed by the external auditors.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 – *Companies should establish continuous disclosure policies and ensure compliance with those policies*

Coffey complies with its disclosure obligations under the ASX Listing Rules and the Corporations Act 2001, and has in place established procedures for dealing with compliance.

Coffey has a Continuous Disclosure Policy that establishes a framework to enable Coffey to provide Shareholders and the market generally with timely, direct and equal access to relevant information about the Company. The Policy sets out Coffey's disclosure obligations, notification process and how Coffey communicates with financial markets.

The Board is responsible for considering and approving draft ASX announcements containing Material Information, based on the recommendations of the Disclosure Committee.

The Disclosure Committee – which comprises the Chairman (or another Non-executive Director), MD, CFO and Company Secretary (the nominated Disclosure Officer) – is responsible for monitoring compliance with the Continuous Disclosure Policy. The Company Secretary, or in their absence the CFO, is the convenor of meetings of the Committee.

The Committee is responsible for administering the Continuous Disclosure Policy including overseeing preparation of proposed external announcements ensuring they contain material information that is both objective and factual, and are clearly written to allow investors to assess the impact of information on their investment decisions. The Committee is also responsible for recommending changes to the Continuous Disclosure Policy to the Board.

The Company Secretary reports regularly to the Board on matters that were either notified or not notified to the ASX. Directors receive copies of all announcements immediately after notification to the ASX. All ASX announcements are available on the Coffey website.

Communication with the financial market, investors and media is the responsibility of the Chairman, MD or CFO. The Continuous Disclosure Policy covers briefings to investors and stock broking analysts, general briefings, one-on-one briefings, blackout periods, compliance and review, as well as media briefings.

The Continuous Disclosure Policy was most recently reviewed and amended in April 2011.

Principle 6: Respect the rights of Shareholders

Recommendation 6.1 – *Companies should design a Shareholder communications policy*

Coffey has established a Shareholder Communication Policy to promote effective engagement with our Shareholders, both retail and institutional, and strives to keep Shareholders informed about the Company's activities. Coffey, on an ongoing basis, examines how best to take advantage of technology to enhance Shareholder communications and how to use General Meetings to enhance two-way communication.

The Shareholder Communication Policy was most recently reviewed and amended in April 2011. The policy reflects the matters set out in the commentary and guidance for Recommendation 6.1.

Coffey utilises the means of communication that is best suited to the information and audience at the time and most relevant and effective for our Shareholders. Our website (www.coffey.com) allows Shareholders to access Board and Committee charters, corporate governance policies, ASX announcements, annual and half year reports, information for Shareholder meetings, investor presentations and other corporate information.

Information release practices

Coffey seeks to ensure that all investors have equal and timely access to price sensitive information.

Prior to making a presentation to investors or stock broking analysts, Coffey will lodge the presentation material with the ASX so that all Shareholders can access the information. Coffey will not expressly or implicitly provide investors, stock broking analysts or the media with forecast profit guidance, unless that information has been disclosed previously to the ASX.

Coffey is committed to ensuring that information released to the ASX is factual and is expressed in a balanced, objective and clear manner.

General meetings

Coffey's Annual General Meeting is an important forum for our Shareholders.

Shareholders are invited to submit questions before the meeting and, at the meeting, the Chairman attempts to answer as many of these as is practicable.

The Chairman encourages Shareholders at the meeting to ask questions and make comments about Coffey's operations and the performance of the Board and senior management. The Chairman may respond directly to questions or, at his/her discretion, may refer a question to another Director, the MD or a member of the Management Team.

New Directors or Directors seeking re-election are given the opportunity to address the meeting about why they should be elected. Shareholders can ask questions of any Director seeking re-election at the meeting.

All Directors and members of the Management Team attend the Annual General Meeting.

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Representatives of KPMG, our external auditor, also attend the meeting and are available to respond to questions from Shareholders. Shareholders may submit written questions to the auditor to be considered at the meeting in relation to the conduct of the audit and the preparation and content of the Independent Audit Report by providing the questions to Coffey or to KPMG at least one week prior to the Meeting.

Shareholders who are unable to attend the Annual General Meeting are able to watch and listen to the business of the meeting via a webcast that can be accessed from the Coffey website.

Notices of meeting sent to Coffey's Shareholders comply with the 'Guidelines for notices of meeting' issued by the ASX in August 2007.

Electronic communication

Coffey encourages Shareholders to receive company information electronically and advises Shareholders when the Annual Financial Report is available for viewing on the Coffey website. Coffey provides a printed copy of the Annual Financial Report to only those Shareholders who have specifically elected to receive a printed copy.

Coffey's website allows Shareholders to view all ASX and media releases for the last three years; various investor presentations; a copy of the most recent Annual Financial Report and Annual Financial Reports for the two previous financial years; and the Notice of Meeting and accompanying explanatory material for the most recent Annual General Meeting and the Annual General Meetings for the two previous financial years.

Shareholder meetings and analyst/media briefings in relation to half year and full year financial results are webcast, and other significant events can be heard by teleconference.

Principle 7: Recognise and manage risk

The Board is responsible for the oversight of Coffey's risk management and control framework. The Risk Management Committee assists the Board in fulfilling its responsibilities in this regard. The Managing Director and Management Team are responsible for the design and implementation of risk management systems and managing the material business risks. Risk exposures stem from Coffey's business risk profile which covers areas including operations, environment, brand and reputation, compliance, finance, information and strategy.

Coffey's risk management practices are aimed at protecting the health and wellbeing of Coffey employees, ensuring that Coffey complies with its obligations at law and to the community, and protecting Shareholder value. Coffey recognises that risk management can also include identifying opportunities that create value for the business and Shareholders.

Recommendation 7.1 – *Companies should establish policies for the oversight and management of material business risks*

The Board has approved a Risk Management Framework and supporting policies and processes to oversee and manage risk. Coffey is implementing a Risk Management Framework designed to ensure that the Company's material business risks are identified and that adequate controls are in place and function effectively. This framework incorporates the establishment of comprehensive policies, procedures and guidelines across the global business. This Framework acknowledges that all employees have a role in managing risk and in particular they are encouraged to report incidents, hazards and risks.

The Board has approved a statement of Risk Management Policy which was most recently reviewed and amended in May 2011.

Recommendation 7.2 – *Establish risk management and internal control systems to manage material business risk and require management to report on the effectiveness of these systems and material business risk management*

Risk management process

The processes to support the Risk Management Framework operating throughout the global organisation include:

- a clearly defined organisation structure with approved authority limits;
- an incident management system that facilitates the reporting of all incidents to management and the escalation of potentially serious issues;
- annual budgeting and monthly reporting systems for all business units, which enable progress against the annual plan to be monitored, trends to be evaluated and variances to be addressed;
- policies to manage the financial risks, including hedging foreign exchange exposures;
- a comprehensive group-wide insurance program;
- enterprise-wide risk management that enables the identification, management and reporting of risk throughout the business. The model is consistent with ASX guidelines for risk management and the standard on risk management AS/NZ 4360. The system deals with risk at all levels, including strategic, operational, compliance and financial risks;
- a compliance program where the Management Team are required to bring certain matters to the attention of the Directors on a six-monthly basis or sooner where appropriate. The program requires Executives to sign off that all material non-compliance with regulatory obligations in their area of responsibility have been reported; and
- appropriate due diligence procedures for corporate acquisitions and disposals.

Coffey International Limited
Corporate governance statement

Coffey has a number of other policies that directly or indirectly serve to reduce and/or manage risk. These include but are not limited to:

- Delegation of Authority Policy;
- Health, Safety, Security and Environment Policy;
- Code of Conduct;
- Continuous Disclosure Policy;
- Securities Dealing Policy;
- Treasury Policy; and
- Privacy Policy.

Roles and responsibilities

Board - the Board is responsible for reviewing and approving changes to Risk Management Policies and for satisfying itself that Coffey has a sound system of risk management and internal control that is operating effectively.

Risk Management Committee (Committee) - the Committee oversees the detailed analysis of the effectiveness of the system of risk management and internal control. The Committee receives an annual presentation of Coffey's material business risks and review the controls in place to mitigate the consequences of those risks. The Committee also receives regular presentations from management throughout the year on specific risk topics.

Management Team - the MD has primary responsibility for designing, implementing and reporting on Coffey's risk management framework. The Service Line Executives have primary responsibility for promoting a risk management culture within their service lines. The Management Team collectively has responsibility for promoting a risk management culture throughout Coffey, including consistent application of Risk Management Policies across the Group.

Business Units - are responsible for maintaining effective internal controls, consistently applying the risk management framework, and reporting new or changed risk events.

Internal audit - Internal Audit provides assurance to the Committee on the effectiveness of Coffey's risk management framework and to the Audit committee on the adequacy and effectiveness of the system of internal controls.

Risk Management Committee

The Board has established a Risk Management Committee comprising:

Stephen Williams (Chairman), John Mulcahy and Susan Oliver.

The Chair of the Audit Committee has a standing invitation to attend Committee meetings.

The Managing Director, CFO, Group Executive Strategy and Group Executive Human Resources have a standing invitation to attend Committee meetings.

The Committee has a formal Charter that is required to be reviewed annually. The Charter was most recently reviewed in May 2011. The Company Secretary is the secretary to the Committee.

The Committee meets as required, and at least four times per year including meeting in a joint session with the Audit Committee at least annually. The Committee met four times during the year, including the joint session with the Audit Committee. Details of Directors' attendances are set out on page 23 of this Annual Financial Report.

Recommendation 7.3 – *MD and CFO assurance on financial reporting risks*

In accordance with section 295A of the Corporations Act 2001, the MD and CFO have provided a written Certificate to the Board that, in their opinion, the Company's financial reports present a true and fair view in all material respects, of the financial position and performance of the Company, and that management's risk management and internal controls over financial reporting, which implement the policies and procedures adopted by the Board, are operating effectively in all material respects.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 – *The Board should establish a remuneration committee*

The Board has established a Remuneration Committee comprising three independent Non-executive Directors:

Susan Oliver (Chair),
John Mulcahy and Stuart Black.

The MD and Group Executive Human Resources attend meetings of the Remuneration Committee by invitation when required to report on and discuss senior management performance, remuneration and related matters, but are not present at meetings when their own performance or remuneration is discussed.

Recommendation 8.2 (Amended Principles) – *The remuneration committee should be appropriately structured*

Under its Charter, the Remuneration Committee must have at least three members, the majority of whom must be independent Non-executive Directors. The Committee Chair must be an independent Director.

Further details of the qualifications and experience of all Committee members are disclosed on pages 20 to 22 of this Annual Financial Report.

The role of the Committee is to assist and advise the Board on matters relating to:

- the Company's remuneration strategy, policies and practices;
- the remuneration of the Board;
- the performance and remuneration of the Managing Director and Management Team;
- succession planning and talent development for the Managing Director and Management Team; and
- diversity (at all levels of the organisation below Board level).

Coffey International Limited
Corporate governance statement

The Committee is responsible for ensuring Coffey has and observes coherent remuneration policies and practices which enable it to attract and retain high calibre executives, Directors and employees who will create value for Shareholders, generate sustained business performance and support Coffey's objectives, goals and values.

The Committee has a formal Charter that is required to be reviewed annually. The Charter is currently under review. The Company Secretary is the secretary to the Committee.

The Committee may engage and/or terminate, at the expense of the Company, any independent external adviser in relation to any Committee matter, as it determines are required to assist it in the full performance of its functions.

The Committee meets as required, and at least four times per year. The Committee met eleven times during the year. Directors' attendances are set out on page 23 of this Annual Financial Report.

Recommendation 8.2 (8.3 Amended Principles) –*Companies should distinguish between Non-executive Directors' remuneration and that of Executive Directors and senior management*

Coffey's remuneration structure distinguishes between Non-executive Directors and that of the Managing Director and Management Team.

Remuneration for Non-executive Directors is fixed. Board and Committee fee rates are reviewed by the Remuneration Committee and approved by the Board (subject to the Shareholder approved remuneration pool) for each coming year.

There has been no increase in Non-executive Director fees since October 2008 and the Board has resolved that there will be no increase in fees for the 2011 financial year.

Remuneration does not include any performance-based components and Non-executive Directors do not participate in any rewards plans or bonus schemes. The Non-executive Directors receive statutory superannuation (and may salary sacrifice fees to superannuation). Coffey does not have a retirement benefits scheme for Non-executive Directors.

Fees paid to the Non-executive Directors reflect the responsibilities and demands made on the Directors. In the 2011 financial year, fees paid to Non-executive Directors totalled $618,134 well within the maximum Board remuneration pool of $700,000 per annum, inclusive of statutory entitlements. This pool was approved by Shareholders at the Annual General Meeting held in November 2008.

Hedging of securities under Coffey long-term rewards plans by Designated Persons

As noted previously in relation to Recommendation 3.2, Coffey's share trading policy prohibits Designated Persons from hedging an exposure to unvested or vested Coffey Securities held through Coffey's rewards plans.

A Remuneration Report required under Section 300A(1) of the Corporations Act 2001 is provided in the Directors' Report, commencing on page 24 of this Annual Financial Report.

Coffey International Limited

Consolidated income statement

For the year ended 30 June 2011

	Notes	**2011 $'000**	Represented * 2010 $'000
Continuing Operations			
Revenue	5	662,846	750,191
Other income		1,976	172
Raw materials, subcontractor costs and travel		(232,416)	(288,616)
Employee benefits expense		(324,301)	(330,708)
Depreciation and amortisation	6	(10,234)	(11,667)
Occupancy costs		(27,234)	(23,461)
Other expenses	6	(58,203)	(61,847)
Impairment of goodwill	16	(52,715)	-
Net foreign exchange (loss)		(996)	(1,462)
(Loss)/Profit before interest and income tax		(41,277)	32,602
Interest income	7	574	620
Financing expenses	7	(16,020)	(12,817)
(Loss)/Profit before income tax		(56,723)	20,405
Income tax benefit/(expense)	8	(4,904)	(5,586)
(Loss)/Profit for the year – Continuing Operations		(61,627)	14,819
Discontinued Operations			
Loss from discontinued operations (net of income tax)	9	(8,217)	(30)
(Loss)/Profit for the year		(69,844)	14,789
(Loss)/Profit attributable to:			
Members of Coffey International Limited		(69,724)	13,833
Non-controlling interest		(120)	956
(Loss)/Profit for the year		(69,844)	14,789
Earnings per share attributable to the ordinary equity Shareholders of the company:			
Basic earnings per share (cents)	29	(57.0)c	11.9c
Diluted earnings per share (cents)	29	(57.0)c	10.8c
Earnings per share attributable to the ordinary equity Shareholders of the company – Continuing operations			
Basic earnings per share (cents)	29	(50.3)c	11.9c
Diluted earnings per share (cents)	29	(50.3)c	10.8c

The above consolidated income statement should be read in conjunction with the accompanying notes.
* Comparatives represented for discontinuing operations. See note 9.

Coffey International Limited

Consolidated statement of comprehensive income

For the year ended 30 June 2011

	2011 $'000	2010 $'000
(Loss)/Profit for the year	(69,844)	14,789
Other comprehensive income/(expense)		
Continuing operations		
Exchange differences on translation of foreign operations	(4,027)	(2,371)
Realised gain on foreign exchange contracts	(3,133)	-
Effective portion of changes in fair value of cash flow hedges	3,961	1,764
Ineffective hedge instruments transferred to profit and loss	777	-
Income tax on other comprehensive income and expense	(2,731)	1,114
Sub-total – continuing operations	(5,153)	507
Discontinuing operations		
Exchange differences on translation of foreign operations	(583)	(221)
Transfer of foreign exchange difference on disposal of business to profit and loss	542	-
Income tax on other comprehensive income and expense	12	66
Sub-total – discontinuing operations	(29)	(155)
Other comprehensive income /(expense) for the year, net of tax	(5,182)	352
Total comprehensive income /(expense) for the year	(75,026)	15,141
Total comprehensive income /(expense) attributable to:		
Members of Coffey International Limited	(74,719)	14,172
Non-controlling interest	(307)	969
Total comprehensive income /(expense) for the year	(75,026)	15,141

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

Coffey International Limited

Consolidated statement of financial position

As at 30 June 2011

	Notes	**2011 $'000**	2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	23,680	27,130
Cash deposits	12	2,922	3,614
Trade and other receivables	13	111,927	117,371
Other financial assets		2,062	81
Work in progress		27,717	42,497
Income tax receivables		5,579	7,317
Assets classified as held for sale	10	9,954	-
Total current assets		183,841	198,010
Non-current assets			
Cash deposits	12	3,005	7,367
Receivables		222	1,531
Investments		-	130
Plant and equipment	14	26,631	24,544
Deferred tax assets	15	17,060	21,048
Intangible assets	16	147,080	226,055
Total non-current assets		193,998	280,675
Total assets		377,839	478,685
LIABILITIES			
Current liabilities			
Bank overdraft	11,19	5,948	162
Trade and other payables	17	57,133	68,851
Loans and borrowings	19	40,823	790
Other financial liabilities		1,789	5,259
Deferred purchase consideration		3,551	3,709
Employee benefits	18	27,548	42,282
Liabilities classified as held for sale	10	1,752	-
Total current liabilities		138,544	121,053
Non-current liabilities			
Loans and borrowings	19	104,030	137,665
Unearned revenue		2,445	5,346
Other financial liabilities		3,538	4,454
Deferred purchase consideration		-	4,014
Deferred tax liabilities	21	312	2,915
Employee benefits	18	1,277	1,614
Other non-current liabilities		5,258	3,407
Total non-current liabilities		116,860	159,415
Total liabilities		255,404	280,468
Net assets		122,435	198,217
EQUITY			
Share capital	22	195,917	193,662
Reserves		(2,530)	820
Retained profits		(72,018)	1,911
Equity attributable to ordinary equity holders of the Company		121,369	196,393
Non-controlling interest		1,066	1,824
Total equity		122,435	198,217

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Coffey International Limited

Consolidated statement of changes in equity

For the year ended 30 June 2011

	Attributable to equity holders of the Company								
	Share capital $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Hedging reserve $'000	Put option reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2010	193,662	(5,873)	14,459	(3,573)	(4,193)	1,911	196,393	1,824	198,217
Total comprehensive income for the period									
(Loss)/Profit for the period	-	-	-	-	-	(69,724)	(69,724)	(120)	(69,844)
Other comprehensive income									
Exchange differences on translation of foreign operations	-	(4,423)	-	-	-	-	(4,423)	(187)	(4,610)
Realised gain on foreign exchange contracts	-	(3,133)	-	-	-	-	(3,133)	-	(3,133)
Changes in fair value of cash flow hedges	-	-	-	3,961	-	-	3,961	-	3,961
Ineffective hedge instruments transferred to profit and loss	-	-	-	777	-	-	777	-	777
Transfer of foreign exchange on disposal of business	-	542	-	-	-	-	542	-	542
Income tax on other comprehensive income and expense	-	(1,298)	-	(1,421)	-	-	(2,719)	-	(2,719)
Total other comprehensive income	-	(8,312)	-	3,317	-	-	(4,995)	(187)	(5,182)
Total comprehensive income for the period	-	(8,312)	-	3,317	-	(69,724)	(74,719)	(307)	(75,026)
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Issue of ordinary shares	1,079	-	-	-	-	-	1,079	-	1,079
Dividends paid to equity holders	1,176	-	-	-	-	(4,205)	(3,029)	-	(3,029)
Share-based payment transactions	-	-	1,194	-	-	-	1,194	-	1,194
Total contributions by and distributions to owners	2,255	-	1,194	-	-	(4,205)	(756)	-	(756)
Changes in ownership interests in subsidiaries that do not result in loss of control									
Additional interest acquired	-	-	-	-	451	-	451	(451)	-
Total transactions with owners	2,255	-	1,194	-	451	(4,205)	(305)	(451)	(756)
Balance at 30 June 2011	195,917	(14,185)	15,653	(256)	(3,742)	(72,018)	121,369	1,066	122,435

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

Coffey International Limited

Consolidated statement of changes in equity

For the year ended 30 June 2010

	Attributable to equity holders of the Company								
	Share capital $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Hedging reserve $'000	Put option reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2009	185,681	(4,978)	12,657	(4,807)	-	1,223	189,776	1,367	191,143
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	13,833	13,833	956	14,789
Other comprehensive income									
Exchange differences on translation of foreign operations	-	(2,605)	-	-	-	-	(2,605)	13	(2,592)
Changes in fair value of cash flow hedges	-	-	-	1,764	-	-	1,764	-	1,764
Income tax on other comprehensive income and expense	-	1,710	-	(530)	-	-	1,180	-	1,180
Total other comprehensive income	-	(895)	-	1,234	-	-	339	13	352
Total comprehensive income for the period	-	(895)	-	1,234	-	13,833	14,172	969	15,141
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Issue of ordinary shares	4,313	-	-	-	-	-	4,313	-	4,313
Dividends paid to equity holders	3,668	-	-	-	-	(13,145)	(9,477)	(512)	(9,989)
Share-based payment transactions	-	-	1,802	-	-	-	1,802	-	1,802
Total contributions by and distributions to owners	7,981	-	1,802	-	-	(13,145)	(3,362)	(512)	(3,874)
Changes in ownership interests in subsidiaries that do not result in loss of control									
Recognition of put option reserve	-	-	-	-	(4,193)	-	(4,193)	-	(4,193)
Total transactions with owners	7,981	-	1,802	-	(4,193)	(13,145)	(7,555)	(512)	(8,067)
Balance at 30 June 2010	193,662	(5,873)	14,459	(3,573)	(4,193)	1,911	196,393	1,824	198,217

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

Coffey International Limited

Consolidated statement of cash flows

For the year ended 30 June 2011

	Notes	**2011 $'000**	2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		739,957	821,134
Payments to suppliers and employees (inclusive of goods and services tax)		(723,776)	(773,674)
		16,181	47,460
Interest received		574	620
Interest paid		(19,384)	(11,740)
Income taxes paid		(2,241)	(20,453)
Net cash (outflow)/inflow from operating activities	23	(4,870)	15,887
Cash flows from investing activities			
Payments for plant and equipment		(11,503)	(3,255)
Payments for intangible assets		(988)	(3,542)
Payments for purchase of companies/businesses, net of cash acquired		-	(4,682)
Payments of deferred purchase consideration		(1,617)	(6,741)
Payments for investments		-	(130)
(Payment)/Proceeds from sale of business		(94)	3,320
Proceeds from sale of plant and equipment		-	761
Net cash outflow from investing activities		(14,202)	(14,269)
Cash flows from financing activities			
Net proceeds/(repayments) of borrowings		17,750	(3,063)
Proceeds from issue of shares, net of costs		86	-
Dividends paid to Shareholders		(3,029)	(9,339)
Equity acquired from minority		(1,626)	-
Dividends paid to minority interest Shareholders		-	(512)
Payments on finance lease and other liabilities		(764)	(858)
Net cash inflow/(outflow) from financing activities		12,417	(13,772)
Net decrease in cash held		(6,655)	(12,154)
Cash and cash equivalents at the beginning of the year		26,968	39,996
Effects of exchange rate changes on cash		(2,521)	(874)
Cash and cash equivalents at the end of the year	11	17,792	26,968

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Coffey International Limited
Notes to the financial statements
For the year ended 30 June 2011

1 Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all years presented and have been applied consistently by the Group entities, unless otherwise stated. The consolidated financial statements as at and for the year ended 30 June 2011 comprises Coffey International Limited and its subsidiaries (together referred to as the Group).

The comparative income statement has been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparative year (see note 9).

a) Basis of preparation
Statement of compliance
The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 2 September 2011.

Early adoption of standards
The Group has not elected to apply any amended accounting standards early on the basis that those standards which have been amended do not materially affect the policies of Coffey International Limited. Refer to note 1(ab) for an assessment of the impact of new AASBs not early adopted.

Historical cost basis
These financial statements have been prepared under the historical cost basis except for the following material items in the statement of financial position, measured at fair value:

- derivative financial instruments;
- financial instruments designated as "fair value through profit or loss" for accounting purposes; and
- liabilities for cash-settled share – based payment arrangements.

The methods used to measure fair values are discussed further in the notes.

Use of estimates and judgements
The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- revenue recognition (note g)
- provisions for debtors (note 13)
- intangible assets (note 16) – measurement of the recoverable amounts of cash-generating units containing goodwill and other intangible assets;
- provisions (note 17);
- leases (note 19) – lease classification
- financial instruments– valuation of financial instruments; and
- employee benefits– measurement of share-based payments.

Going concern basis
The accounts have been prepared on a going concern basis for the year ended 30 June 2011.

The Company's financing facilities, which mature February 2014, contain certain financial covenants including scheduled facility repayments for the duration of the facility. $40,500,000 was due for repayment in the financial year 2012 and therefore is presented as current borrowings in this financial report.

Since reporting date, the Company has secured agreement with its lender to remove the scheduled facility repayments from the facility and modify its financial ratio covenants to align with this amendment. The revised terms of the facility have been documented in the amended facility agreement.

Based on cash flow modelling undertaken by the Company, which includes analysis around certain cash flow improvement opportunities available to the Company, the Directors and management are confident that the group will be able to meet all revised financial obligations contained in the amended facilities, thus supporting the going concern basis upon which these accounts have been prepared.

The company was in compliance with all its financial covenants as at 30 June 2011.

b) Principles of consolidation
(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Group as at 30 June 2011 and the results of all controlled entities for the year then ended.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date from which control is obtained by the Group.

In the company's financial statements, investments in subsidiaries are carried at cost.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1 (e)).

Coffey International Limited
Notes to the financial statements
For the year ended 30 June 2011

1 Summary of Significant Accounting Policies (continued)

Business combinations arising from transfers of interests in entities that are under the control of the Shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling Shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any cash paid of the acquisition is recognised directly in equity.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available –for-sale financial asset depending on the level of influence retained.

Inter-company transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with all material policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement consolidated statement of comprehensive income and statement of financial position respectively.

(ii) Employee share trusts
The Group has formed trusts to administer the Group's employee share schemes. These trusts are consolidated, as the substance of the relationship is that the trusts are controlled by the Group.

c) Income tax
The income tax expense for the year is the tax payable on the current year'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 and tax credits. The income tax expense excludes items which are recognised directly in equity.

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 reviewed at each reporting date and are recognised for deductible temporary differences, unused tax losses and tax credits only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Tax consolidation
Coffey International Limited and its wholly-owned Australian entities have implemented the tax consolidation legislation as of 1 July 2003.

The entities have entered into a tax funding arrangement under which the wholly-owned entities fully compensate Coffey International Limited for any current tax payable assumed and are compensated by Coffey International Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Coffey International Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as inter-company receivables or payables.

d) Foreign currency translation
(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated financial statements are presented in Australian dollars, which is Coffey International Limited's functional and presentation currency.

Coffey International Limited
Notes to the financial statements
For the year ended 30 June 2011

1 Summary of Significant Accounting Policies (continued)

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currencies of the Group entities using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges which are recognised directly in equity.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(iii) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency, being Australian dollars, are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average monthly exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity, the foreign currency translation reserve (FCTR).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to AASBs are treated as assets and liabilities of the foreign entity and translated at the closing rate. Goodwill arising on acquisitions before the date of transition to AASBs is treated as an Australian dollar denominated asset. Since 1 July 2004, the Group's date of transition to AASBs, such differences have been recognised in the FCTR.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences is recognised in the statement of comprehensive income as part of the gain or loss on sale or repayment.

(iv) Hedge of net investment in foreign operation
The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the parent entity's functional currency (AUD), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the FCTR. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

e) Business combinations
The Group adopted the revised *AASB 3 Business Combinations* (2008) and amended AASB 127 Consolidated and Separate Financial Statements (2008) for business combinations occurring in the financial year beginning 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method.

The acquisition method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Consideration transferred is measured at the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Transaction costs incurred in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

If the consideration transferred including the recognised amount of any non-controlling interest in the acquiree exceeds the fair value of the identifiable net assets acquired and liabilities assumed, the excess is recorded as goodwill.

Coffey International Limited
Notes to the financial statements
For the year ended 30 June 2011

1 Summary of Significant Accounting Policies (continued)

If the consideration transferred, including the recognised amount of any non-controlling interest is less than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange.

The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

f) Operating segments
The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the chief operating decision maker. This is in line with *AASB 8 Operating Segments*.

Under the segment reporting policy, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are regularly reviewed by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Inter-segment pricing is determined on an arm's length basis.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly central business support and corporate assets, corporate expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

g) Revenue recognition
Revenue is measured at the fair value of the consideration received and receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

(i) Geosciences Business
Revenue from time-and-material contracts is recognised at the contractual hourly rates as labour hours are delivered, and the direct expenses are incurred. Where contracts stipulate a contract price ceiling, the rates used reflect the amounts that are expected to be recoverable. Costs for such contracts are generally incurred in proportion with contracted billing schedules. Such method is expected to result in reasonably consistent profit margins over the contract term.

KPI revenue is revenue derived when contract performance hurdles are met and typically relate to safety performance on the contract.

KPI revenue is only recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The Group's Policy is to recognise KPI income on a pro-rata basis to the extent that the Group is capable of achieving the desired outcomes under the terms of the contract and the value of the KPI revenue can be reliably estimated.

When an uncertainty arises about the collectability of an amount already recognised as revenue, the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an adjustment to the amount of revenue originally recognised.

(ii) International Development Business
Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

For fixed price contracts, the stage of completion is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus the percentage of fees earned. Percentage of fees earned is measured by reference to the costs incurred to date as a proportion of the estimated total costs of the contract.

(iii) Project Management Business
Contract revenue is recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Revenue from time-and-material contracts is recognised at the contractual hourly rates as labour hours are delivered, and the direct expenses are incurred. Fixed priced contracts are accounted for as noted in International Development above.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred and revenue is recognised to the extent that it is probable that those costs will be recovered.

(iv) Reimbursable Revenue
Reimbursable revenue exists across all business segments. For customer contracts where there exists the right to charge certain costs onto the customer relating to the delivery of the contract, revenue is recognised at the time the costs are incurred on a gross basis in line with the risks and rewards.

(v) Other income
Other income is brought to account when received or receivable.

h) Finance income and finance expense
Finance income comprises interest income, changes in fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Coffey International Limited
Notes to the financial statements
For the year ended 30 June 2011

1 Summary of Significant Accounting Policies (continued)

Finance expense comprises interest expense on borrowings, unwinding of the discount on provisions, changes in fair value of financial assets at fair value through profit or loss and losses on hedging instruments that are recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest method.

i) Trade receivables
All trade receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

j) Work in progress
(i) Geosciences Business
Work in progress represents the sales value of unbilled labour and disbursements, less provisions, for amounts considered non-recoverable.

(ii) International Development Business
Long-term contract work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented as unearned revenue.

Contract costs include all costs directly related to specific contracts and costs that are specifically chargeable to the customer under the terms of the contract.

(iii) Project Management Business
Work in progress on project management contracts is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented as unearned revenue.

Contract costs include all costs directly related to specific contracts and costs that are specifically chargeable to the customer under the terms of the contract.

k) Impairment of assets
Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.
An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its "value in use" and its fair value less costs to sell. In assessing "value in use", the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would

l) Plant and equipment
All plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of property, plant and equipment at 1 July 2004, the date of transition to AASBs, was determined by reference to its fair value at that date.

Coffey International Limited
Notes to the financial statements
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1 Summary of Significant Accounting Policies (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on either a straight line basis or on a diminishing value basis to write off the net cost of each item of plant and equipment (excluding land) over its expected useful life to the Group. Estimates of residual values and remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives of plant and equipment and motor vehicles held at the reporting date ranges from three to eight years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

m) Leasehold improvements
The cost of improvements to or on leasehold properties is capitalised as Plant and Equipment and depreciated over the unexpired period of the lease or the estimated useful life of the improvement to the Group, whichever is the shorter. Options to extend premises leases are excluded when determining the period over which the cost is to be depreciated. Leasehold improvements held at the reporting date are being depreciated over three to fifteen years.

The Group has a policy which requires providing for costs associated with making good leased premises. The asset is amortised over the term of the lease.

n) Leases
Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other payables.

Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment and motor vehicles acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Incentives received on entering into operating leases are recognised as liabilities. The liability is reduced in line with the lease term.

o) Intangible assets
(i) Goodwill
Goodwill arises on the acquisition of subsidiaries, associates and jointly controlled entities.

Acquisitions prior to 1 January 2003
As part of its transition to AASBs, the Group elected to restate only those business combinations that occurred on or after 1 January 2003. In respect of acquisitions prior to 1 January 2003, goodwill represents the amount recognised under the Group's previous accounting framework, Australian generally accepted accounting principles.

Acquisitions on or after 1 January 2003 and prior to 1 July 2009
For acquisitions on or after 1 January 2003 and prior to 1 July 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Acquisitions on or after 1 July 2009
As from 1 July 2009, the Group has adopted revised *AASB 3 Business Combinations* (2008) and revised AASB 127 *Consolidated and Separate Financial Statements* (2008). Revised *AASB 3* and *AASB 127* have been applied prospectively to business combinations with an acquisition date on or after 1 July 2009.

For acquisitions on or after 1 July 2009, goodwill represents the excess of the consideration transferred including the recognised amount of any non-controlling interest over the net fair value of the identifiable assets acquired and liabilities assumed.

Acquisitions of non-controlling interests
Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Customer contracts and customer relationships
Customer contracts and customer relationships, where reliably measurable, acquired as part of a business combination are considered to have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of the projected cash flows of the contracts over their estimated useful lives, which currently vary from one to four years.

Coffey International Limited
Notes to the financial statements
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1 Summary of Significant Accounting Policies (continued)

(iii) Non-compete agreements
The non-compete agreements are acquired as part of a business combination have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of non-compete agreements over their estimated useful life of typically three years.

(iv) Brand names
Brand names are considered to have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of brand names over their estimated useful lives, which vary from three to five years.

(v) Software
Costs incurred in developing systems that will contribute to future period financial benefits through revenue generation and/or cost reductions are capitalised to software and systems.

Amortisation is calculated on a straight line basis between three and ten years depending on the nature of the software.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of a technical feasibility and where the Group has an intention and ability to use the asset.

p) Payables and provisions
Payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

q) Loans and borrowings
Loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Loans and borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the loans and borrowings using the effective interest method.

Fees paid on the establishment of loan facilities, which are incremental costs relating to the actual draw down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the reporting date.

r) Dividends
Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at reporting date.

s) Derivative financial instruments – cash flow hedges
The Group holds derivative instruments to hedge its foreign currency and interest rate risk exposures.

The Group does not enter into derivative financial instruments for speculative trading purposes. Financial instruments entered into to hedge an underlying exposure that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in the fair value of the derivative hedging instrument as a cash flow hedge are recognised directly to equity to the extent that the hedge is effective.

To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then the hedge accounting is discontinued prospectively.

The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs and is transferred to the income statement in the same period that the hedged item affects the income statement.

t) Employee benefits
(i) Wages and salaries, and sick leave
Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are recognised in current other payables in respect of employees' services 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.

Coffey International Limited
Notes to the financial statements
For the year ended 30 June 2011

1 Summary of Significant Accounting Policies (continued)

(ii) Annual leave and long service leave
The liabilities for annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in the current provision for employee benefits and are measured in accordance with *(i)* above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the non-current 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 interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Bonus plans
A liability for employee benefits in the form of bonus plans is recognised in other payables when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid can be reliably determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans that are expected to be settled within 12 months are measured at amounts expected to be paid when they are settled. Amounts expected to be settled after more than 12 months are measured at the present value of amounts expected to be settled.

(iv) Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(v) Employee benefit on-costs
Employee benefit on-costs, including superannuation, other retirement benefits, payroll tax and workers compensation, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(vi) Ownership-based remuneration schemes and other share-based payments
Ownership-based remuneration is provided to employees via the Coffey Rewards Share and Option Plans. Shares issued under these schemes are treated as options in accordance with *AASB 2 Share-based Payments*. Information relating to these share plans is set out in note 32 *Share-based payments*.

The fair value of shares granted under the Coffey Rewards Share and Option Plans are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

The valuation methodology used to determine the share-based payment expense was the Binomial Approximation model in relation to grants with only service (Loyalty) or non-market performance conditions (operating EPS). For grants with a performance condition, a Monte Carlo simulation model was used to create an estimate of the share price values which would generate the required total Shareholder return (TSR) at the end of the measurement period to meet the hurdle.

As the hurdle allowed scaled vesting, the average share price value at the testing date which achieved the vesting hurdle was input into a Black Scholes/Merton "Up and In call barrier pricing model". As required by *AASB 2,* the model took into account the exercise price of the option, the life of the option, the current price of the underlying shares, the expected volatility of the share price, the dividends expected on the shares and the risk-free interest rate for the life of the option. The expected life of the instrument was deemed to be the period from grant date to first available date plus 12 months.

The fair value of the options granted excludes the impact of any non-market vesting conditions, such as operating earnings per share targets. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Where shares are issued to employees as compensation for the provision of services and receipt by the employee is subject to completion of a service period, the market value of shares issued is recognised as an employee benefit expense with a corresponding increase in equity when the employees become entitled to the shares.

(u) Borrowing costs
Borrowing costs are expensed in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance lease charges.

Coffey International Limited
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1 Summary of Significant Accounting Policies (continued)

(v) Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts.

(w) 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. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(x) Earnings per share
(i) Basic earnings per share
Basic earnings per share is determined by dividing net profit after income tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares, which comprise share options granted to employees and shares issued as consideration as part of acquisitions.

Options granted to employees which are accounted for as share-based payments are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share.

(iii) Operating earnings per share
Operating earnings per share is determined by dividing net profit after income tax excluding amortisation, vendor earn out and vendor share-based payment expense attributable to the ordinary equity holders of the Company.

y) Goods and services tax (GST) and other transaction taxes
Revenues, expenses and assets are recognised net of the amount of associated GST and other transactional taxes, unless the GST or other transactional tax incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST or other transactional tax receivable or payable. The net amount recoverable from the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST and other transactional tax components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(z) Non-controlling interest put option liabilities
Liabilities in respect of put option agreements that allow the Group's equity partners to require the Group to purchase the non-controlling interest are treated as derivatives and are recorded in the statement of financial position at fair value, as they are settled in cash.

The fair value of such put options is remeasured at each period end. The movement in the fair value is recognised in the income statement.

The Group recognises its best estimate of the amount it is likely to pay, should these put options be exercised by the non-controlling interests, as a liability in the statement of financial position.

When the initial fair value of the liability in respect of the put options is created, the corresponding debit is included in the put option reserve when the non-controlling interest retains present access to ownership benefits.

(aa) Reserves
(i) Foreign currency translation
The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, where their functional currency is different to the presentation currency of the reporting entity. The reserve is recognised in profit and loss when the net investment is disposed of.

(ii) Share-based payments reserve
The share-based payments reserve comprises the fair value of share-based payments recognised as an expense in the income statements.

(iii) Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The cumulative deferred gain or loss on the hedge is recognised in profit and loss when the hedged transaction impacts the profit or loss, consistent with applicable accounting policy.

(ab) New accounting standards and interpretations
Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for ASSB 9 *Financial Instruments,* which could change the classification and measurement of financial assets and financial liabilities. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

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2. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group that are believed to be reasonable under the circumstances.

a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1 (k).

The recoverable amounts of cash-generating units have been determined by applying a value in use method, using future cash flow models involving a number of assumptions. Refer to note 16 *Intangible assets* for the details of these assumptions.

(ii) Income taxes

The Group is subject to income taxes in Australia and foreign jurisdictions where it has operations. Significant judgement is required in determining the worldwide provision for income taxes.

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on expectations of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(iii) Intangible assets and business combinations

AASB 3 and *AASB 138*, the Australian standards on *business combinations* and *intangible assets* respectively, require the acquirer to separately identify the acquiree's identifiable assets and liabilities. This means that the acquirer must recognise other intangible assets, separately from goodwill, where the definition of an intangible asset is met and the fair value of the intangible asset can be measured reliably.

Where significant business acquisitions are undertaken, the Directors commission an independent expert, having satisfied themselves that the expert was appropriately qualified to form a view on the matters under consideration. The Directors review the methodologies used by the expert and make enquiries with management to assure themselves that the factual information used by the expert is correct prior to relying on the expert's opinion.

The Directors accept the expert's opinion that identified qualifying intangible assets as at the date of acquisition should be separated out from goodwill and recorded as a separate intangible asset subject to amortisation. Accordingly, the Group capitalised contracts in hand, customer relationships, brand names and non-compete agreements and amortised them as described in note 1(o). For further details, refer to note 16 *Intangible assets*.

(iv) Revenue recognition in relation to long-term contracts

The timing of revenue recognition in relation to long-term contracts, primarily in the International Development Business and Project Management, is subject to significant judgement. Management ensures that the timing of revenue recognition in relation to these contracts is appropriate through regular reassessments of the percentage completion and the costs to completion of the projects.

(v) Recoverability provisions

The group continually assesses the recoverability of work in progress, trade and other receivables and recognises provisions where appropriate. Certain estimates and judgement is required to be made with the recognition of such provisions relating to the probability of recoverable amounts.

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3. Determination of Fair Value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value has been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

a) Plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market value. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant and equipment and motor vehicles are based on the quoted market prices for similar items when available and replacement cost when appropriate.

b) Intangible assets

The fair value of customer contracts, customer relationships, non-compete agreements and brand names acquired in a business combination is based on discounted cash flows expected to be derived from the use of the assets.

c) Work in progress

The fair value of work in progress acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the work in progress.

d) Trade and other receivables

The fair value of trade and other receivables, excluding work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest where the recoverably is expected to be greater than 12 months from the reporting date.

e) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair value reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

f) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

g) Share-based payment transactions

The valuation methodology used to determine the share-based payment expense was the Binomial Approximation model in relation to grants with only service or non-market performance conditions (operating EPS).

For grants with a performance condition a Monte Carlo simulation model was used to create an estimate of the share price values which would generate the required Total Shareholder Return at the end of the measurement period to meet the hurdle.

As the hurdle allowed scaled vesting, the average share price value at the testing date which achieved the vesting hurdle was input into a Black Scholes/Merton "Up and In call barrier pricing model". As required by *AASB 2*, the model takes into account the exercise price of the option, the life of the option, the current price of the underlying shares, the expected volatility of the share price, the dividends expected on the shares and the risk-free interest rate for the life of the option. The expected life of the instrument was deemed to be the period from grant date to first available date plus 12 months.

h) Deferred consideration

The group has agreed to pay certain selling Shareholders additional consideration on certain historical acquisitions based on the profitability of the business acquired. The fair value of the deferred consideration are calculated by applying the income approach using the probability – weighted expected deferred consideration discounted at the market rate of interest at acquisition date.

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4. Operating Segments

The Group has four reportable segments, as described below, which are based on the Group's service lines. The service lines are managed separately because they have different economic characteristics. For each service line, the Group's Managing Director, in his role as the chief operating decision maker, reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

a) Geosciences
The Geoscience business offers specialised environmental services, engineering consultancy, and technical services to the mining industry, scientific testing solutions, management and implementation services to the rail industry, and work place health and safety services. This segment operates in Australia, New Zealand, Canada, UK, Brazil and Africa.

b) International Development
The International Development business works in markets where economic growth creates demand for mature public services and infrastructure; and in countries which are at risk of conflict or natural disaster, or which are emerging from it. The business delivers consulting and training services and outsourced service delivery solutions that contribute to sustainable growth. This segment offers international development (foreign aid) consultancy services out of Australia, USA, UK and the Middle East.

c) Project Management
The Project Management business provides specialist project management services in commercial, retail, residential, tourism and hospitality, industrial, urban redevelopment, health, education, justice and transportation infrastructure projects. This segment operates in Australia, New Zealand and South Africa.

d) Other businesses
This segment offers specialist advisory services within Australia.

Unallocated corporate comprises group corporate management and group treasury activities.

The accounting policies of the reportable segments are the same as described in note 1. Information regarding the results of each reportable segment is included below. Performance is measured based on segment EBITDA before impairment and restructuring costs included in the management reports that are reviewed by the Managing Director. Segment EBITDA before impairment and restructuring costs is used to measure performance as management believes that such information is the most relevant in evaluating results relative to other entities that operate within the same industries and geographic location.

As a result of the restructure undertaken in January 2011, the change in how the Group is managed and reported has resulted in a change to the operating segments in 2011 to a service line basis (previously a regional basis in 2010). In line with the requirements of *AASB8 Operating Segments*, the Segment Information previously reported at 30 June 2010 has been represented.

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4 Operating Segments (continued)

2011	Geosciences $'000	International Development $'000	Project Management $'000	Other Businesses $'000	Total Segments $'000	Unallocated Corporate $'000	Elimination $'000	Total $'000
Fee Revenue	232,556	122,302	46,915	9,260	411,033	-	-	411,033
Inter-segments sale	195	-	1,161	9	1,365	-	(1,365)	-
Reimbursable revenue							-	251,813
Other income							-	1,976
Total Revenue from continuing operations								**664,822**
Segment EBITDA before impairment and restructuring	27,381	8,412	1,237	675	37,705	(6,943)+	-	30,762
Restructure costs	(3,852)	(577)	(1,152)	(1,009)	(6,590)	(2,500)	-	(9,090)
Goodwill Impairment expense	(5,586)	-	(28,385)	(18,744)	(52,715)	-	-	(52,715)
Segment EBITDA	17,943	7,835	(28,300)	(19,078)	(21,600)	(9,443)	-	(31,043)
Depreciation and amortisation expense	(5,679)	(3,032)	(1,289)	(234)	(10,234)	-	-	(10,234)
Segment EBIT result	12,264	4,803	(29,589)	(19,312)	(31,834)	(9,443)	-	(41,277)
Net interest expense	-	-	-	-	-	(15,446)	-	(15,446)
Loss before income tax and discontinuing operations								(56,723)
Income tax expense								(4,904)
Loss from discontinued operations								(8,217)
Non-controlling interest								120
Profit for the year attributable to members of the Company								**(69,724)**
Segment assets	184,581	119,521	54,650	3,282	362,034	5,851	-	367,885
Assets held for sale								9,954
Total assets								377,839
Segment liabilities	52,424	40,393	10,871	1,663	105,351	148,301	-	253,652
Liabilities held for sale								1,752
Total liabilities								255,404

+ Consists of mainly remuneration costs relating to group corporate management

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4 Operating Segments (continued)

2010*	Geosciences $'000	International Development $'000	Project Management $'000	Other Businesses $'000	Total Segments $'000	Unallocated Corporate $'000	Elimination $'000	Total $'000
Fee Revenue	234,748	153,493	61,391	10,469	460,101	-	-	460,101
Inter-segments sale	51	-	328	138	517	-	(517)	-
Reimbursable revenue							-	290,090
Other income							-	172
Total Revenue from continuing operations								**750,363**
Segment EBITDA before impairment and restructuring	29,983	20,485	4,528	74	55,070	(6,989)+	-	48,081
Restructure costs	(2,249)	-	(525)	-	(2,774)	(1,089)	-	(3,863)
Segment EBITDA	27,734	20,485	4,003	74	52,296	(8,078)	-	44,218
Depreciation and amortisation expense	(5,748)	(3,881)	(1,574)	(413)	(11,616)	-	-	(11,616)
Segment EBIT result	21,985	16,604	2,429	(339)	40,680	(8,078)	-	32,602
Net interest expense	-	-	-	-	-	(12,197)	-	(12,197)
Profit before income tax and discontinuing operations								20,405
Income tax expense								(5,586)
Loss from discontinued operations								(30)
Non-controlling interest								(956)
Profit for the year attributable to members of the Company								**13,833**
Segment assets	177,331	140,334	112,133	22,935	452,733	10,976	-	463,709
Assets held for sale								14,976
Total assets								478,685
Segment liabilities	49,519	66,126	16,064	1,311	133,020	144,803	-	277,823
Liabilities held for sale								2,645
Total liabilities								280,468

*Represented for discontinuing operations per note 9
+ Consists of mainly remuneration costs relating to group corporate management

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4 Operating Segments (continued)

Geographical Information	**2011 $'000 Revenue**	**2011 $'000 Non-current assets**	**2011 $'000 Deferred tax assets**	2010 $'000 Revenue	2010 $'000 Non-current assets	2010 $'000 Deferred tax assets
Australia	405,610	112,005	14,524	453,383	167,316	14,550
New Zealand	14,163	19,856	438	16,368	21,124	859
America's	188,098	28,761	1,800	224,464	48,224	4,694
UK	27,676	13,144	-	29,589	16,167	-
Middle east	33,064	1,333	33	32,264	1,514	726
Africa	11,958	1,839	265	13,688	5,282	219
Total	680,569	176,938	17,060	769,756	259,627	21,048
Split by:						
Continuing	664,822	176,938	17,060	750,363	250,122	20,468
Discontinuing	15,747	-	-	19,393	9,505	580
	680,569	176,938	17,060	769,756	259,627	21,048

5 Revenue and other income

	2011 $'000	2010 $'000
Continuing operations		
Fee revenue	411,033	460,101
Reimbursable revenue	251,813	290,090
Sub-total	662,846	750,191
Other income	1,976	172
Total – Continuing operations	664,822	750,363
Discontinuing operations		
Fee revenue	12,609	15,572
Reimbursable revenue	3,138	3,819
Sub-total	15,747	19,391
Other income	-	2
Total – Discontinuing operations	15,747	19,393
Total revenue and other income	680,569	769,756

Coffey International Limited
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6 Expenses

	2011 $'000	2010 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	3,969	4,436
Leasehold improvements	2,794	2,626
Motor vehicles	871	1,029
Total depreciation	7,634	8,091
Amortisation		
Contracts	1,072	1,610
Customer relationships	76	727
Software	1,286	875
Other	166	364
Total amortisation	2,600	3,576
Total depreciation and amortisation	10,234	11,667
Other expenses		
Vehicle and equipment operating leases	4,320	3,678
Communication expense	6,317	6,597
Bad and doubtful debt expense	1,666	1,117
Net loss on disposal of plant and equipment	390	21
Other expenses	45,510	50,434
Total other expenses	58,203	61,847

7 Net Finance Costs

	2011 $'000	2010 $'000
Interest income	574	620
Interest expense	(15,243)	(12,817)
Ineffective hedge instruments expensed	(777)	-
Net finance costs	(15,446)	(12,197)

Coffey International Limited
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8 Income tax expense

	2011 $'000	2010 $'000
a) Income tax expense		
Current tax	5,029	10,135
Deferred tax	911	(5,381)
(Over)/under provision in prior years	(1,036)	832
Income tax expense - continuing operations	4,904	5,586
Income tax from discontinued operations (excluding gain on sale)	(522)	(312)
Income tax on sale of discontinued operations	-	-
Total income tax expense	4,382	5,274
b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss)/Profit before tax from continuing operations	(56,723)	20,405
(Loss)/Profit before tax from discontinued operations	(8,739)	(342)
Total (loss)/profit before tax	(65,462)	20,063
Tax at the Australian tax rate of 30% (2011: 30%)	(19,638)	6,019
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Share-based payments	213	283
Tax incentive allowances	-	(582)
Current year losses for which no deferred tax asset was recognised	1,609	1,837
Derecognition of tax losses	1,994	-
Impact of goodwill impairment	18,457	-
Effect of changes in tax legislation	-	(2,976)
Impact of foreign tax rates and other miscellaneous items	2,591	(324)
Non-deductible expenses	192	185
	5,418	4,442
(Over)/under provision in prior years	(1,036)	832
Total Income tax expense	4,382	5,274
Total income tax expense is attributable to:		
Continuing operations	4,904	5,586
Discontinuing operations	(522)	(312)
	4,382	5,274
c) Amounts recognised directly in equity		
Financial instruments	(2,719)	(1,180)

Coffey International Limited
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9 Discontinued operations

In June 2011, the Group sold its Environmental consulting business based in Los Angeles, California (part of Geoscience segment), and committed to selling the Rail consulting business (part of other businesses) based in Melbourne, Victoria. Neither business was classified as a discontinued operation or as a held for sale as at 30 June 2010. The comparative Consolidated income statement has been re-presented to show the discontinued operations separately from continuing operations. Management committed to a plan to sell the Rail business in 2011, following a strategic decision to place greater focus on the Group's core operations.

	Note	2011	2010
		$'000	$'000
Results of discontinued operations			
Revenue	5	15,747	19,393
Expenses		(14,360)	(19,735)
Transfer of foreign exchange on disposal of business		(1,102)	-
Transfer of net investment hedge on disposal of business		560	-
Goodwill impairment	16	(3,591)	
(Loss) from operating activities		(2,746)	(342)
Income tax benefit		522	312
(Loss) from operating activities, net of tax		(2,224)	(30)
Loss from discontinued operations		(5,993)	-
Income tax benefit on loss on sale of discontinued operation		-	-
(Loss) for the year		(8,217)	(30)

The loss from discontinued operations of $8,217,000 (2010: Loss of $30,000) is attributed entirely to the owners of the Company.

	2011	2010
	$'000	$'000
Cash flow from/(used in) discontinued operations		
Net cash used in operating activities	(108)	(851)
Net cash from investing activities	-	-
Net cash from financing activities	-	-
Net cash flows for the year	(108)	(851)

Effect of disposal of the Environments LA business on the financial position of the Group

	2011
	$'000
Intangibles	(5,220)
Property, plant and equipment	(22)
Trade and other receivables	(579)
Work in progress	(189)
Trade and other payables	103
Foreign exchange gain	8
Net assets and liabilities sold	(5,899)
Net cash paid	(94)
Net cash outflow	(5,993)

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10 Non-current assets held for sale

The Rail business is presented as a disposal group held for sale following the commitment of the Group's management in June 2011. The commitment to sell the Rail business was the result of a strategic review of the company which identified the rail business as a non-core asset and a decision to divest this business was made. As at 30 June 2011 the disposal group comprised assets of $9,954,000 less liabilities of $1,752,000.

	Note	2011 $'000	2010 $'000
Assets classified as held for sale			
Cash	11	60	-
Intangible assets	16	5,185	-
Work in progress		598	-
Tax receivable		387	-
Deferred tax asset	15	294	-
Trade and other receivables	13	3,133	-
Plant, property and equipment	14	297	-
		9,954	-
Liabilities classified as held for sale			
Trade and other payables	17	988	-
Employee Benefits	18	764	-
		1,752	-

11 Cash and cash equivalents

	2011 $'000	2010 $'000
Cash at bank and in hand	23,680	27,064
Cash at bank associated with held for sale businesses	60	-
Deposits on call	-	66
Sub Total	23,740	27,130
Reconciliation to cash at the end of the year:		
Balances as above	23,740	27,130
Bank overdraft	(5,948)	(162)
Balances per statement of cash flows	17,792	26,968

12 Cash deposits

	2011 $'000	2010 $'000
Current		
Interest bearing deposits	2,922	3,614
Non-current		
Interest bearing deposits	3,005	7,367
Total cash deposits	5,927	10,981

The interest bearing cash deposits relate to contract revenue received in advance and held on deposit as security against a standby letter of credit on issue for these contracts. Per contract Coffey is entitled to periodically step down the letter of credit in line with delivery of the contract. Each step down enables the release of a corresponding amount from the cash held on deposit.

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13 Trade and other receivables

	2011 $'000	2010 $'000
Trade receivables	103,054	107,928
Less allowance for impairment losses	(5,859)	(5,405)
	97,195	102,523
Prepayments	7,125	7,888
Project advances	5,015	4,556
Other receivables	2,592	2,404
Sub total	111,927	117,371
Reclassification to assets held for sale	3,133	-
Total	115,060	117,371

Effective interest rates and credit risk

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 24.

14 Plant and equipment

	Plant and equipment $'000	Leasehold improvements $'000	Motor vehicles $'000	Total $'000
Year ended 30 June 2011				
Opening net book amount	14,096	8,318	2,130	24,544
Additions	3,358	7,857	396	11,611
Disposals	(180)	-	(197)	(377)
Depreciation charge	(4,046)	(2,796)	(878)	(7,720)
Foreign exchange rate differences	(997)	(49)	(84)	(1,130)
Reclassification to assets held for sale	(54)	(216)	(27)	(297)
Closing net book amount	12,177	13,114	1,340	26,631
At 30 June 2011				
Cost	33,322	22,715	4,930	60,967
Accumulated depreciation	(21,145)	(9,601)	(3,590)	(34,336)
Net book amount	12,177	13,114	1,340	26,631
Year ended 30 June 2010				
Opening net book amount	17,641	10,600	3,071	31,312
Additions	2,529	461	265	3,255
Acquisitions of subsidiaries	38	-	-	38
Disposals^	(1,214)	(62)	(149)	(1,425)
Depreciation charge	(4,533)	(2,628)	(1,036)	(8,197)
Foreign exchange rate differences	(365)	(53)	(21)	(439)
Closing net book amount	14,096	8,318	2,130	24,544
At 30 June 2010				
Cost	37,064	16,841	5,784	59,689
Accumulated depreciation	(22,968)	(8,523)	(3,654)	(35,145)
Net book amount	14,096	8,318	2,130	24,544

^Included in plant and equipment disposals is $641,875 relating to the sale of the MPL Laboratories business.

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15 Deferred tax assets

	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:		
Impairment of receivables	1,223	1,058
Employee benefits	5,871	7,828
Amortisation of assets	3,522	2,591
Accrued interest	-	1,988
Financial derivatives at fair value	443	1,618
Accrued expenses	4,664	3,469
Tax losses	150	2,496
Unrealised foreign exchange	1,187	-
Sub Total	17,060	21,048
Reclassification to assets held for sale	294	-
Total	17,354	21,048
Movements:		
Opening balance at 1 July	21,048	16,146
Credited to the income statement	1,317	968
Credited to equity	(2,719)	1,180
Acquisition of subsidiaries	-	130
Derecognised tax losses previously brought to account	(2,346)	-
Recognised tax losses	-	2,496
Difference due to changes in tax rates	(31)	-
Differences arising on translation of foreign controlled entities	379	128
Sub total	17,648	21,048
Assets held for sale	(294)	-
Closing balance at 30 June	17,354	21,048

The Group has recognised the benefit for tax losses as deferred tax assets only if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; or
- the losses are transferred to an eligible entity within the Group; and
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

The Group's net tax losses for which no deferred tax asset has been recognised on the statement of financial position amounted to:

	2011 $'000	2010 $'000
Tax losses not brought to account	1,609	1,751

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16 Intangible assets

	Contracts $'000	Brands $'000	Customer relationships $'000	Non-compete agreements $'000	Software $'000	Goodwill $'000	Total $'000
Year ended 30 June 2011							
Opening net book amount	2,132	135	78	52	6,796	216,862	226,055
Intangible additions	-	-	-	-	988	-	988
Disposals*	-	-	-	-	(34)	(5,220)	(5,254)
Amortisation charge	(1,073)	(116)	(76)	(49)	(1,286)	-	(2,600)
Impairment - continuing	-	-	-	-	-	(52,715)	(52,715)
Impairment - discontinuing	-	-	-	-	-	(3,591)	(3,591)
Foreign exchange rate differences	(207)	-	(2)	(1)	(183)	(10,225)	(10,618)
Reclassification to assets held for sale	-	-	-	-	-	(5,185)	(5,185)
Closing net book amount	852	19	-	2	6,281	139,926	147,080
At 30 June 2011							
Cost or fair value	10,987	822	2,324	554	8,814	197,860	221,361
Accumulated amortisation	(10,135)	(803)	(2,324)	(552)	(2,462)	-	(16,276)
Accumulated impairment	-	-	-	-	(71)	(57,934)	(58,005)
Net book amount	852	19	-	2	6,281	139,926	147,080
Year ended 30 June 2010							
Opening net book amount	1,985	251	815	318	4,275	210,441	218,085
Acquisitions of subsidiaries	1,699	-	-	-	-	11,710	13,409
Intangible additions^	200	-	-	-	3,542	-	3,742
Disposals^^	-	-	-	-	-	(2,644)	(2,644)
Amortisation charge	(1,610)	(116)	(727)	(248)	(875)	-	(3,576)
Impairment	-	-	-	-	(71)	-	(71)
Foreign exchange rate differences	(142)	-	(10)	(18)	(75)	(2,645)	(2,890)
Closing net book amount	2,132	135	78	52	6,796	216,862	226,055
At 30 June 2010							
Cost or fair value	12,120	828	2,444	642	8,379	216,862	241,275
Accumulated amortisation	(9,988)	(693)	(2,366)	(590)	(1,512)	-	(15,149)
Accumulated impairment	-	-	-	-	(71)	-	(71)
Net book amount	2,132	135	78	52	6,796	216,862	226,055

^ The purchase of contracts of $200,000 was paid for through the issuance of shares in Coffey International Limited.

^^ The disposal of $2,644,000 in goodwill relates to the sale of the MPL Laboratories business.

* The disposal of $5,220,000 in goodwill relates to the sale of the Environmental consulting business in Los Angeles.

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16 Intangible assets (continued)

a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) or groups of CGUs identified on a service line basis. In 2010, CGU's were identified on a regional basis. In 2011 there was a change in the basis of the CGU's to a service line basis as a result of the restructure of the group undertaken in March - June 2011.

A summary of the goodwill allocation as at 30 June 2011 by CGU is presented below:

	2011 $'000
Continuing Operations	
Geotechnics	33,689
Environments	21,074
Information	1,405
Mining	11,997
Sub-total – Geosciences	68,165
Commercial Advisory – (other businesses)	-
Project Management	37,048
International Development	34,713
Total Continuing Operations	139,926
Discontinuing Operations	5,185
Total Goodwill	**145,111**

A summary of the goodwill allocation as at 30 June 2010 by CGU (as defined in 2010) is presented below:

	2010 $'000
Asia pacific	164,424
Americas	31,238
Europe and Middle East	16,853
Africa	4,347
Total Goodwill	**216,862**

b) Key assumptions used for calculations

Goodwill Impairment tests for cash generating units

The recoverable amount of each CGU, or where applicable, groups of CGUs ("CGU's") is determined based on value in use (VIU) calculations for continuing operations. For discontinuing operations, the recoverable amounts have been determined on a fair value less cost to sell basis by reference to market value. The VIU calculations use cash flow projections based on financial plans approved by the Board of Directors' covering a three-year period, this being the time period over which the Company prepares its strategic plan. Cash flows beyond this three year period are extrapolated using growth rates estimated by management up to year four. After year four, long-term growth rates of 3% were used.

The assumptions below have been used for the analysis for each CGU. Management prepared cashflow forecasts after assessing past performance and the future expectations for each CGU. The pre-tax discount rates used reflect the appropriate cost of capital for that CGU taking into account the specialised service line and geographical region of that CGU. Management engaged third party experts to determine an appropriate range of discount rates for each CGU. VIU was determined by discounting the future cashflows using the mid-point of the discount rates provided by third party experts based on the following assumptions:

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16 Intangible assets (continued)

Cash Generating Unit	Forecast Growth Rate* 2011	Discount rate Pre-Tax 2011
Geosciences		
Geotechnics	16%	19.8%
Environments	24%	18.6%
Information	23%	21.8%
Mining	39%	20.5%
Other Businesses		
Commercial Advisory	3%	22.1%
Project Management	6%	18.8%
International Development	3%	19.7%

*average annual growth in cashflows over 4 year management forecast pre shared overhead allocation

Geosciences - Sensitivity assumptions for impairment testing

Given the stronger growth rates forecasted in the Geoscience businesses compared to the other Coffey businesses, sensitivity analysis were performed on the growth rates used in each of the Geoscience CGU's by replacing the actual cash flows modelled with forecasts cashflows that reflects the lower average industry growth rates forecast for the industries in which these consulting businesses operate using external market information. Separate sensitivity analysis was also performed on the discount rates by using the high end discount rates as provided by third party experts for each CGU taking into account the specialised service line and geographical region of that CGU.

The following sensitivity assumptions were used for both the growth rates and discount rates:

	2011 Sensitivity range	
	Industry Growth Rate	High end Discount rate
Geotechnics	5%	20.8%
Environments	7%	19.6%
Information	6%	22.9%
Mining	7%	21.5%

Geotechnics
A decrease in the average cashflows pre shared overhead allocation (with no other underlying changes) to the growth rates shown in the table above would result in a reduction in the headroom for Geotechnics of $95.3 million from $110.5 million to $15.2 million.

An increase in the discount rates to the high end as provided by the third party experts (with no other underlying changes) as shown in the above table would result in a reduction to the headroom of $10.1 million from $110.5 million to $100.4 million.

No goodwill impairment would be required under any of these circumstances.

Environments
A decrease in the average cashflows pre shared overhead allocation (with no other underlying changes) to the growth rates shown in the table above would result in a reduction in the headroom for Environments of $156.0 million from $156.6 million to $0.6 million.

An increase in the discount rates to the high end as provided by the third party experts (with no other underlying changes) as shown in the above table would result in a reduction to the headroom of $13.9 million from $156.6 million to $142.7 million.

No goodwill impairment would be required under any of these circumstances.

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16 Intangible assets (continued)

Information
A decrease in the average cashflows pre shared overhead allocation (with no other underlying changes) to the growth rates shown in the table above would result in a goodwill impairment charge for Information of $1.4 million from $5.0 million of headroom.

An increase in the discount rates to the high end as provided by the third party experts (with no other underlying changes) as shown in the above table would result in a reduction to the headroom of $1.3 million from $5.0 million to $3.7 million.

Mining
A decrease in the average cashflows pre overhead allocation (with no other underlying changes) to the growth rates shown in the table above would result in a goodwill impairment charge for Mining of $17.5 million from $14.7 million of headroom.

An increase in the discount rates to the high end as provided by the third party experts (with no other underlying changes) as shown in the above table would result in a reduction to the headroom of $3.3 million from $14.7 million to $11.4 million.

Other Businesses - Sensitivity assumptions for impairment testing

For the non – Geoscience CGU's, sensitivity analysis was performed with reference to a reasonable movement in the key assumptions as noted below:

Project Management
A decrease in the average cashflows pre shared overhead allocation in Project Management of 5% (with no other underlying changes) would result in an additional goodwill impairment charge of $2.4 million.

An increase in the discount rate to the high end of 19.7% as provided by the third party experts (with no other underlying changes) would result in an additional goodwill impairment charge of $2.8 million.

International Development
A decrease in the average cashflows pre overhead allocation in International Development of 5% (with no other underlying changes) would result in a decrease to the headroom of $6.5m from $48.7 million to $42.2 million.

An increase in the discount rate to the high end of 20.9% as provided by the third party experts (with no other underlying changes) would result in a reduction to the headroom of $9.8million from $48.7 million to $38.9 million.

No goodwill impairment would be required under any of these circumstances.

No sensitivity analysis was performed on Commercial Advisory as the goodwill associated with this CGU was fully impaired during the current year.

In 2010, growth rates averaged between 3% and 39% and discount rates ranged between 13.5% and 27.7% across all CGU's.

c) Goodwill Impairment

During the year, an impairment write down of $56,306,000 (2010: nil) was recognised in the following areas:

Continuing Operations	**Note**	**2011 $'000**	2010 $'000
Geosciences – Mining		5,586	-
Other businesses - Commercial Advisory		18,744	-
Project Management		28,385	-
Total Continuing Operations		52,715	-
Discontinuing operations	9	3,591	-
Total Goodwill Impairment		56,306	-

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16 Intangible assets (continued)

Goodwill impairment relates to:

- Geosciences (Mining) of $5,586,000: The goodwill impairment in Mining is largely due to business acquisitions that have failed to deliver either earnings synergies, acceptable stand alone returns or both.
- Other businesses (Commercial Advisory) of $18,744,000: The Commercial Advisory brand has been discontinued and parts of the business has been folded into other service lines. The goodwill impairment in the Commercial Advisory business is largely due to business acquisitions that have failed to deliver either earnings synergies, acceptable stand alone returns or both.
- Project Management of $28,385,000: The goodwill impairment in the Project Management business is primarily driven by the weaker performance and softer recovery for that business in addition to the refocusing of its operations primarily in Australia and New Zealand involving the significant downsizing of the Project Management business in the Middle East.
- Business held for sale (Rail) of $3,591,000: The commitment to sell the Rail business was the result of a strategic review of the company undertaken in March – June 2011 which identified the Rail business as a non-core asset. The goodwill impairment is the result of the lower fair value less cost to sell in relation to the carrying value. Fair value less cost to sell has been estimated on based on expected market value.

17 Trade and other payables

	2011 $'000	2010 $'000
Trade payables	19,703	24,741
Unearned revenue	8,914	8,000
Other payables*	28,516	36,110
Sub total	57,133	68,851
Reclassification to liabilities held for sale	988	-
Total	58,121	68,851

*Other payables includes provisions for onerous contracts for which provisions have been recognised relating to the provision of consulting services $242,935 (2010:$726,000) for which the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be derived from those contracts and vacant premises $1,603,345 (2010:nil) leased by the group. The provision recognised at 30 June 2011 for each onerous contract has been measured at the lower of the present value of the cost of terminating the contract and the expected net cost of continuing with the contract.

18 Employee benefits

	2011 $'000	2010 $'000
Current		
Annual leave	10,947	13,434
Long service leave	8,623	10,062
Other employee benefit accruals	7,978	18,786
Sub total	27,548	42,282
Reclassification to liabilities held for sale	734	-
Current employee benefits	28,282	42,282
Non-current		
Long service leave	1,277	1,614
Reclassification to liabilities held for sale	30	-
Non-current employee benefits	1,307	1,614
Total employee benefits liabilities	29,589	43,896

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19 Loans and borrowings

	2011 $'000	2010 $'000
Current		
Bills Payable*	40,500	-
Finance lease and other liabilities	323	790
Sub Total	40,823	790
Bank Overdrafts	5,948	162
Total current loans and borrowings	46,771	952
Non-current		
Bills payable^	103,867	137,284
Finance lease and other liabilities	163	381
Total non-current loans and borrowings	104,030	137,665
Total loans and borrowings	150,801	138,617

*Current Bills Payable reclassified to non-current Bills Payable subsequent to the year end. Refer to note 30.

^ Included in bills payable amounts are capitalised facility establishment fees of $2,940,833 (2010: $567,596) which are being expensed over the term of the loan facility.

Credit standby arrangements

	2011 $'000	2010 $'000
Total facilities		
Secured bill and bank overdraft facility	179,000	185,000
Guarantee facility	20,000	20,000
Guarantee facility – contract specific	5,991	10,843
	204,991	215,843
Used at balance date		
Secured bill and bank overdraft facility	153,255	138,015
Guarantee facility	10,293	10,721
Guarantee facility – contract specific	5,991	10,843
	169,539	159,579
Unused at balance date		
Secured bill and bank overdraft facility	25,745	46,985
Guarantee facility	9,707	9,279
Guarantee facility – contract specific	-	-
	35,452	56,264
Bank loan facilities		
Total facilities	204,991	215,843
Used at balance date	169,539	159,579
Unused at balance date	35,452	56,264

Group bank facility

The Group cash advance and overdraft facilities of $179,000,000 are a combination of $114,000,000 for facility A, $46,650,000 for facility B and overdraft facilities of $18,350,000. In addition, the group has a general guarantee facility of $20,000,000 and a specific client contract facility of USD$6,347,700 (AUD$5,990,657).

Facility A of $114,000,000 and Facility B of $46,650,000 have a three year term ending February 2014. The overdraft and the general guarantee facility are annual revolving facilities. The Group's facilities are subject to security over certain assets of the Group.

$40,500,000 of amortisation is due for repayment by 30 June 2012 and has been classified as a current liability. Subsequent to balance date, this debt has been reclassified as non-current. Refer to note 30.

In addition to the above facilities, the Group has a $4,000,000 credit card facility, and a $10,000,000 EFT payment facility.

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20 Dividends

	2011 $'000	2010 $'000
Ordinary shares		
Dividend provided for or paid during the year (2011: nil; 2010: 3.5 cents final, 7.5 cents interim)	4,205	13,145

The Company's dividend reinvestment plan was active during the year ended 30 June 2011.

Franking credits of the parent entity available for the payment of dividends in subsequent financial years is $9,312,760. (2010: $11,019,831) based on a tax rate of 30% (2010: 30%). This balance represents the franking account balance at reporting date adjusted for provisions for Australian income tax and franking debits that will arise from the payment of dividends recognised as a liability at reporting date.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $Nil (2010: $1,935,429).

21 Deferred tax liabilities

	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:		
Receivables	-	2,063
Intangibles	312	852
Total deferred tax liabilities	312	2,915
Movements:		
Opening balance at 1 July	2,915	7,273
Credited to the income statement	(2,228)	(4,386)
Charged to equity	-	-
Acquisition of subsidiaries	-	511
Effect of change in tax rates	(13)	-
Effect of change in exchange rates on opening balances	(362)	(483)
Closing balance at 30 June	312	2,915

22 Share Capital

a) Movements in share capital

Date	Details	Shares	$'000
	Balance at the beginning of the year	**129,035,760**	**193,662**
Oct-10	Dividend reinvestment plan	1,175,533	1,176
Dec-10	Coffey Rewards Share Plan	2,366,230	-
Dec-10	Sale of forfeited shares	-	86
Mar-11	Shares issued relating to deferred consideration for the purchase of Management Systems International	1,231,715	993
Mar-11	Coffey Rewards Share Plan	256,843	-
	Balance at the end of the year	**134,066,081**	**195,917**

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22 Share Capital (continued)

b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and 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.

c) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash.

23 Reconciliation of profit after income tax to net cash inflow from operating activities

	2011	2010
	$'000	$'000
(Loss)/Profit for the year	(69,844)	14,789
Depreciation and amortisation	10,320	11,773
Non-cash employee benefits – share-based payments	743	1,802
Impairment-Goodwill	56,306	-
Impairment-Investments	129	71
Changes in fair value	(881)	1,050
Net foreign exchange differences	(434)	(41)
(Loss)/Profit from sale of business	5,993	(169)
Net loss on sale of non-current assets	392	21
Transfer of foreign exchange on disposal of business	542	-
Ineffective interest rate hedge	777	-
Change in operating assets and liabilities		
Decrease trade debtors	2,195	7,544
Decrease/(Increase) in work in progress	14,182	(1,127)
Decrease/(Increase) in other current receivables	116	(4,026)
Decrease/(Increase) in non-current receivables	1,309	(123)
(Decrease)/Increase in trade payables and employee benefits	(29,158)	(721)
Decrease/(Increase) in tax balances	2,443	(14,956)
Net cash (outflow)/inflow from operating activities	(4,870)	15,887

24 Financial Instruments

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, finance leases, cash and term deposits and derivatives. The Group has exposure to the following risks from its use of financial instruments:

- market risk including interest rate risk and currency risk;
- liquidity risk; and
- credit risk.

This note presents both qualitative and quantitative information about the Group's exposure to each of the above risks and its objectives, policies and processes for measuring and managing those risks.

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24 Financial Instruments (continued)

a) Interest rate risk

The Group enters into fixed interest rate instruments to manage cash flows risk associated with the interest rates on borrowings that are floating. Interest rate instruments allow the Group to swap floating rate borrowings into fixed rate borrowings. The Group adopts a policy of ensuring that the majority of its exposure to interest rates on borrowings is on a fixed rate basis.

As at the reporting date, interest rate swaps are in place, with the maturity of the swap contracts being 28 February 2012 and 27 February 2014.

The Group designates qualifying derivatives (interest rate swaps) as cash flow hedges and applies hedge accounting in order to manage volatility in the profit and loss.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	2011	2010
	$'000	$'000
Fixed rate instruments		
Financial assets	-	-
Financial liabilities*	(108,608)	(109,580)
	(108,608)	(109,580)
Variable rate instruments		
Financial assets**	29,555	38,046
Financial liabilities*	(45,134)	(29,605)
	(15,579)	8,441

* Excludes capitalised facility establishment fees of $2,940,833 (2010: $567,596).

** Excludes cash on hand.

Cash flow sensitivity analysis for interest rate risk

A 100 basis point change in interest rates would have increased or decreased the Group's profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant (for a foreign exchange rate sensitivity analysis, refer to part (d) of note 24). The analysis was performed on the same basis for 2010.

	2011		2010	
	Profit/ (loss)	**Increase/ (decrease) equity**	Profit/(loss)	Increase/ (decrease) equity
	$'000	**$'000**	$'000	$'000
Interest rate increase 1%				
Variable rate loans and borrowings	(109)	(109)	(59)	(59)
Interest rate swaps	-	1,271	129	1,412
Interest rate decrease 1%				
Variable rate loans and borrowings	109	109	59	59
Interest rate swaps	-	(1,271)	(118)	(1,298)

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The lines of credit available to the Group at balance date are disclosed in note 19.

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24 Financial Instruments (continued)

The following are the contractual maturities of the financial liabilities of the Group, including estimated interest:

	Notes	Effective interest rate	Carrying amount	Contracted cash flows	6 months or less	6-12 months	1-2 years	2-5 years
2011		%	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivative financial liabilities								
Secured bank loans*^	19	6.9	147,308	157,240	34,700	15,699	27,875	78,966
Trade and other payables	17	0	58,121	58,121	58,121	-	-	-
Employee benefit accruals	18	1.5	29,588	29,594	18,130	10,152	661	651
Bank overdraft	19	9.9	5,948	6,519	3,259	3,260	-	-
Finance leases	19	10.2	486	512	263	175	47	27
Derivative financial liabilities								
Interest rate swaps used for hedging		6.8	3,538	5,099	974	960	1,885	1,280
2010								
Non-derivative financial liabilities								
Secured bank loans*	19	6.6	137,852	151,989	4,241	4,241	143,507	-
Trade and other payables	17	0	68,851	68,851	68,851	-	-	-
Employee benefit accruals	18	0.7	43,986	44,124	30,534	11,748	229	1,613
Bank overdraft	19	34.5	162	199	28	171	-	-
Finance leases	19	6.4	1,171	1,252	479	388	330	55
Derivative financial liabilities								
Interest rate swaps used for hedging		8.4	4,454	4,791	1,455	1,439	1,897	-
Forward exchange contracts		5.2	1,022	1,070	399	-	671	-

* Excludes capitalised facility establishment fees of $2,940,833 (2010: $567,596).
^ Scheduled principle repayments on the Company's secured bank loans have been modified post balance date. Refer note 30.

Other financial liabilities (current) on the statement of financial position include $1,789,000 (2010: $4,327,000) in respect of put option agreements that allow the Group's equity partners to require the Group to purchase their non-controlling interest. The liability is recorded at fair value and has no contractual maturity date. During the year part of the put option was exercised.

c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and work in progress.

Exposure to credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk. The Group has two major customers in its International Development business, USAID and AusAID, however there is minimal credit risk arising from these customers as they represent the United States and Australian governments respectively.

The Group has a credit policy under which each new customer is analysed for creditworthiness before the Group's payment and delivery terms and conditions are offered. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

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24 Financial Instruments (continued)

The Group has recognised an allowance for impairment that represents the estimate of incurred losses in respect of trade receivables and work in progress. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2011	2010
	$'000	$'000
Trade receivables	**100,328**	102,523
Prepayments, other receivables and unbilled charges	**42,449**	57,345
Cash, cash equivalents and cash deposits	**29,607**	38,111
Other financial assets	**2,062**	81
	174,446	198,060

The Group's maximum exposure to credit risk for trade receivables at the reporting dates by geographical region was:

	Carrying amount	
	2011	2010
	$'000	$'000
Asia Pacific	**69,911**	62,609
Americas	**18,891**	29,352
Europe and Middle East	**8,626**	7,842
Africa	**2,900**	2,720
	100,328	102,523

Impairment losses

The aging of the Group's trade receivables and their related impairment losses at the reporting date was:

	Gross	**Impairment**	Gross	Impairment
	2011	**2011**	2010	2010
	$'000	**$'000**	$'000	$'000
Not past due	**38,890**	**257**	30,058	-
Past due 0-30 days	**32,047**	**1**	39,499	20
Past due 31-120 days	**23,451**	**75**	26,785	149
Past due 121 days to one year	**6,197**	**2,325**	6,715	2,029
More than one year	**5,599**	**3,198**	4,871	3,207
	106,184	**5,856**	107,928	5,405

The movement in the Group's allowance for impairment losses in respect of trade receivables during the year was as follows:

	Carrying amount	
	2011	2010
	$'000	$'000
Balance at 1 July	**5,405**	6,870
Impairment loss (reversed)/recognised	**451**	(1,465)
Balance at 30 June	**5,856**	5,405

Trade receivables have been aged according to their original due date in the above ageing analysis, including where certain long outstanding trade receivables have been renegotiated as a result of the extended nature of some of the Group's service provision. No collateral has been obtained for any amounts that have been identified as impaired or overdue but not impaired.

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24 Financial Instruments (continued)

d) Currency risk

The Group is exposed to currency risk on sales, purchases and loans and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

Interest on loans and borrowings is denominated in currencies that match the cash flows generated by the underlying operations for the Group, primarily AUD, USD, CAD, NZD, GBP and UAE Dirham.

Exposure to currency risk

The Group is exposed to the effect of changes in exchange rates on its operations. The Group has entered into forward exchange contracts to hedge against its currency risk on its net investment in US operations.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the world currencies, principally United States dollars. Foreign exchange risk on borrowings not denominated in Australian dollars is principally managed through “natural hedges” as borrowings are drawn in the currency of foreign operating subsidiaries

The Group’s year-end exposure to foreign currency risk was as follows, based on notional amounts. The following are financial assets and liabilities in currencies other than the reporting currency of the Group:

2011 (Australian $'000)	Great British Pound	New Zealand Dollar	United Arab Emirates Dirham	South African Rand
Non-derivative financial assets and liabilities				
Cash and cash equivalents	1,974	1,626	690	535
Cash deposits	-	-	-	-
Trade receivables	3,251	1,944	1,771	1,314
Bank overdraft	-	-	-	204
Trade payables	(2,407)	(35)	4	(133)
Loans and borrowings	(1,688)	-	-	-
Gross exposure	1,130	3,535	2,465	1,920

2011 (Australian $'000)	United States Dollar	Brazilian Real	Canadian Dollar	Other currencies
Non-derivative financial assets and liabilities				
Cash and cash equivalents	8,047	157	571	2,664
Cash deposits	26	-	-	-
Trade receivables	15,944	608	7,609	253
Bank overdraft	-	(602)	-	3
Trade payables	(4,750)	(167)	(1,562)	63
Loans and borrowings	(24,067)	-	(8,741)	-
Gross exposure	(4,800)	(4)	(2,123)	2,983

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24 Financial Instruments (continued)

2010 (Australian $'000)	Great British Pound $'000	New Zealand Dollar $'000	United Arab Emirates Dirham $'000	South African Rand $'000
Non-derivative financial assets and liabilities				
Cash and cash equivalents	1,946	935	2,920	1,296
Cash deposits	-	138	-	-
Trade receivables	2,630	2,475	557	1,504
Bank overdraft	-	-	-	-
Trade payables	(1,059)	(312)	(64)	(173)
Loans and borrowings	(1,983)	-	-	-
Gross exposure	1,534	3,236	3,413	2,627

2010 (Australian $'000)	United States Dollar $'000	Brazilian Real $'000	Canadian Dollar $'000	Other currencies $'000
Non-derivative financial assets and liabilities				
Cash and cash equivalents	3,939	107	409	3,211
Cash deposits	-	-	-	-
Trade receivables	25,246	518	9,282	1,683
Bank overdraft	-	(162)	-	-
Trade payables	(10,504)	(163)	(1,656)	(48)
Loans and borrowings	(35,034)	(146)	(10,116)	-
Gross exposure	(16,353)	154	(2,081)	4,846

The following significant exchange rates applied for the Group during the year:

	Average rate		Reporting date spot rate	
	2011	2010	**2011**	2010
Great British Pound	0.62	0.56	0.66	0.57
New Zealand Dollar	1.31	1.26	1.30	1.23
United Arab Emirates Dirham	3.61	3.24	3.89	3.15
South African Rand	6.93	6.71	7.24	6.56
United States Dollar	0.99	0.88	1.06	0.86
Brazilian Real	1.67	1.59	1.66	1.54
Canadian Dollar	0.98	0.93	1.03	0.90

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24 Financial Instruments (continued)

Foreign exchange rate sensitivity analysis

A 10% strengthening/ (weakening) of the Australian dollar against all the currencies noted above at 30 June would have (decreased)/increased profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant (for an interest rate sensitivity analysis, refer to note 24 (a)). The analysis was performed on the same basis for 2010.

	2011	**2011**	2010	2010
	Profit/ (loss) $'000	**Increase/ (decrease) in equity $'000**	Profit/ (loss) $'000	Increase/ (decrease) in equity $'000
AUD strengthens by 10%	(105)	(1,458)	(642)	(2,516)
AUD weakens by 10%	105	1,458	744	2,714

e) Fair value

The fair value of financial assets and liabilities, together with the carrying amounts as shown in the statement of financial position, are as follows:

	2011	**2011**	2010	2010
	Carrying amount $'000	**Fair value* $'000**	Carrying amount $'000	Fair value* $'000
Loans and receivables	**139,644**	**139,644**	159,868	159,868
Cash and cash equivalents	**23,680**	**23,680**	27,130	27,130
Cash deposits	**5,927**	**5,927**	10,981	10,981
Secured bank loans	**(144,367)**	**(144,367)**	(137,284)	(137,284)
Other financial liabilities	**(1,789)**	**(1,789)**	(5,476)	(5,476)
Trade and other payables	**(57,133)**	**(57,133)**	(68,851)	(68,851)
Other employee benefit accruals	**(7,978)**	**(7,978)**	(18,786)	(18,786)
Finance leases	**(486)**	**(472)**	(1,171)	(1,135)
Bank overdraft	**(5,948)**	**(5,948)**	(162)	(162)

*The fair value measurement of all items is classified as Level 2 under the fair value hierarchy with the exception of loans and receivables, trade and other payables and other employee benefit accruals which are classified as level 3 under the fair value hierarchy.

Fair value hierarchy

The fair value hierarchy consists of the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

Further information on the basis for determining fair value is disclosed in note 3.

f) **Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors debt to profit ratios and the level of dividends to ordinary Shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of loans and borrowings and the advantages and security afforded by a sound capital position. At 30 June 2011, Group capital, defined as total Shareholders' equity, excluding non-controlling interests, was $121,369,000 (2010: $196,393,000).

Management closely monitors the Group to ensure that banking debt covenants are complied with.

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25 Director and executive disclosures

a) Key management personnel compensation

	2011 $	2010 $
Short-term employee benefits	5,011,599	4,130,881
Post-employment benefits	219,375	157,696
Long service leave	122,900	112,399
Termination benefits	2,051,200	168,736
Share-based payments	305,422	149,400
	7,710,496	4,719,112

b) Loans to key management personnel

Loans outstanding at the end of the current and prior year are for the purchase of shares under the Coffey Rewards Share Plan (formerly Coffey International Limited Employee Leveraged Share Plan). The shares are issued on conditions no more favourable than those available to other participating employees. No interest is payable on the loan balances and the loans are limited-recourse to the executive. The terms and conditions of the Coffey Rewards Share Plan are described in note 32.

The limited-recourse loans are reduced over the life of the arrangement by the value of dividends paid per instrument. Therefore for accounting purposes the loan is not recognised as a receivable but rather is treated as an option to purchase shares in the Company and no loan balances are disclosed.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

c) Options

The movement during the financial year in the number of options (including loan shares) over ordinary shares in Coffey International Limited held, directly , indirectly or beneficially by each key management person, including their related parties is as follows

Name	Held at 1 July 2010	Granted as compensation	Exercised	Other changes	Held at 30 June 2011	Vested during the year	Vested and unexercisable at 30 June 2011
Executive Directors							
J Douglas	-	694,323	-	-	694,323	-	-
R Olds	416,717	503,722	-	(160,057)	760,382	181,504	181,504
Key Management Personnel							
M Croudace	44,080	159,141	-	-	203,221	-	-
U Meyerhans	29,580	175,055	-	-	204,635	-	-
M Newton	34,800	127,313	-	-	162,113	-	-
R Simpson	141,787	110,557	(6,650)	(50,092)	195,602	1,889	29,493
S Pathmanandavel	106,377	88,364	(6,650)	(24,136)	163,955	11,966	43,989
D Browne	50,198	89,119	-	(15,412)	123,905	-	-
M Renehan	-	22,323	-	-	22,323	-	-
R Slater	-	-	-	-	-	-	-
C Tyrell	-	-	-	-	-	-	-
K Tucker	74,789	-	-	(28,898)	45,891	-	-
G Simpson	221,535	170,586	-	(62,614)	329,507	14,800	14,800
D Goodin	152,463	-	-	(152,463)	-	-	-
G Hardy	11,600	-	-	(11,600)	-	-	-

Coffey International Limited
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25 Director and executive disclosures (continued)

d) Shares

The movement during the financial year in the number of ordinary shares in Coffey International Limited held, directly , indirectly or beneficially by each key management person, including their related parties is as follows

Name	Held at 1 July 2010	Purchases	Received on exercise of options and rights	Sales	Held at 30 June 2011
Executive Directors					
J Douglas	-	10,000	-	-	10,000
R Olds	-	-	-	-	-
Key Management Personnel					
M Croudace	-	-	-	-	-
U Meyerhans	-	-	-	-	-
M Newton	-	-	-	-	-
R Simpson	26,115	-	6,650	-	32,765
S Pathmanandavel	85,569	2,768	6,650	-	94,987
D Browne	1,005	-	-	-	1,005
M Renehan	-	-	-	-	-
R Slater	-	-	-	-	-
C Tyrell	-	-	-	-	-
K Tucker	50,000	-	-	-	50,000
G Simpson	271,552	9,504	-	-	281,056
D Goodin	-	-	-	-	-
G Hardy	-	-	-	-	-

e) Other transactions with key management personnel

Transactions entered into with Directors of the Group and specified executives of the Group are within normal employee relationships, on terms and conditions no more favourable than those available to other employees or Shareholders. They include:

- share issues under the Coffey Rewards Share Plan (formerly Coffey International Limited Employee Leveraged Share Plan) (note 32);
- dividends from shares in Coffey International Limited; and
- terms of employment and reimbursement of expenses.

Legal fees of $51,916 (2010: $243,518) were paid during the year to Kemp Strang Lawyers, of which S R Williams is a partner, under normal commercial terms and conditions.

Consulting fees of $47,126 (2010: Nil) were paid to Roger Olds Consulting owned by former Managing Director, R Olds.

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26 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	2011 $	2010 $
Audit services		
Fees paid to KPMG Australia for audit and review of financial reports and other audit work under the Corporations Act 2001	554,000	491,000
Fees paid to KPMG overseas firms for audit and review of financial reports and other audit work	350,841	411,586
Remuneration paid to KPMG for audit services	904,841	902,586
Fees paid to non-KPMG audit firms for the audit or review of financial reports of any entity in the Group	37,948	121,842
Total remuneration paid to non-KPMG firms for audit services	37,948	121,842
Non-audit assurance services		
Fees paid to KPMG Australia in relation to:		
Other assurance and advisory services	21,900	74,000
Fees paid to KPMG overseas firms for taxation and other assurance and advisory services	900	13,067
Total remuneration paid to KPMG for non-audit assurance services.	22,800	87,067
	965,589	1,111,495

It is the Group's policy to employ KPMG on assignments additional to their statutory audit duties where their expertise and experience within the Group are important. These assignments are principally other assurance services approved by the Audit Committee, or where KPMG is awarded assignments on a competitive basis. These assignments are measured against an independence agreement between the Group and KPMG, to establish compliance with the agreement before the assignments are awarded to the firm.

It is the Group's policy to seek competitive tenders for all major consulting projects.

27 Contingent liabilities

Guarantees

	2011 $'000	2010 $'000
Guarantees given in respect of performance under contracts and premises leases	10,293	10,721
Guarantee in respect of a specific contract	5,945	10,843
	16,238	21,564

These guarantees may give rise to liabilities in the Group if the subsidiaries do not meet their obligations under the terms of the bank overdrafts, loans, leases or other liabilities subject to the guarantees.

General

There are potential professional indemnity claims which have been notified to the Group. These notifications rarely eventuate as claims but in the event they become claims and are successful it is expected they will be adequately covered by the insurance policy held by the Company.

No material losses are anticipated in respect of any of the above contingent liabilities.

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28 Commitments

	2011 $'000	2010 $'000
a) Capital commitments		
Capital expenditure contracted at the reporting date but not recognised as liabilities is as follows:		
Plant and equipment:		
Payable:		
Within one year	-	7,781
Later than one year but not later than five years	-	600
Later than five years	-	-
	-	8,381
b) Lease commitments - operating		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	18,473	15,830
Later than one year but not later than five years	32,923	27,623
Later than five years	24,192	3,298
	75,588	46,751
Representing:		
Non-cancellable operating leases	75,588	46,751

The operating lease commitments above relate primarily to commercial premises, office, IT and laboratory equipment leases which expire from within one to fifteen years. These leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

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29 Earnings per share

	2011 Cents	2010 Cents
a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	(50.3)	11.9
From discontinued operations	(6.7)	-
Total basic earnings per share attributable to the ordinary equity holders of the company	(57.0)	11.9
b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	(50.3)	10.8
From discontinued operations	(6.7)	-
Total diluted earnings per share attributable to the ordinary equity holders of the company	(57.0)	10.8
c) Operating earnings per share (EPS performance hurdle in Coffey Rewards Plan)		
Profit after tax excluding amortisation, vendor earn-out and vendor share-based payment expense attributable to the ordinary equity holders of the Company	(54.7)	16.3

d) Reconciliations of earnings used in calculating earnings per share

	2011 $'000	2010 $'000
Basic earnings per share		
(Loss)/Profit for the year	(69,844)	14,789
(Loss)/Profit for the year attributable to non-controlling interests	(120)	956
Profit for the year attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	(69,724)	13,833
Diluted earnings per share		
Profit for the year attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	(69,724)	13,833
Operating earnings per share		
Profit for the year attributable to the ordinary equity holders of the Company used in calculating operating earnings per share	(66,885)	18,910
Vendor earn-out and vendors share based payment and amortisation	(2,839)	(5,077)
Total	(69,724)	(13,833)

e) Weighted average number of shares used as the denominator	2011 No. 0f shares	2010 No. of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and operating earnings per share	122,258,572	116,124,970
Adjustments for calculation of diluted earnings per share:		
Coffey Rewards Plan	-	8,843,008
Vendor shares issued but not yet vested for accounting purposes	-	1,510,184
Carson Group Employee Share Trusts	-	126,727
Vendor shares not yet issued but recorded for accounting purposes	-	1,944,400
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	122,258,572	128,549,289

As at 30 June 2011 16,677,107 shares held in trust and options (2010: nil) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

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30 Events occurring after the reporting date

Loans and Borrowings

As outlined in note 1a) and note 19, at 30 June 2011 $40.5 million of scheduled facility repayment was due for repayment within 12 months of the balance sheet date and hence classified as a current liability at 30 June 2011. As a result of the Company's negotiations with it's lender subsequent to the balance sheet date as outlined in note 1a) "Going concern basis", an unconditional agreement has been reached to remove any previously scheduled facility repayments from the facility. As such the $40.5 million of debt classified as a current liability as at 30 June 2011 will be reclassified to non-current liabilities at the next reporting date.

Other than the event disclosed above, there were no other matters or circumstances specific to Coffey that have arisen since 30 June 2011 that have significantly affected or may significantly affect:

- the Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

31 Parent entity disclosures

a) Result of the parent entity

	2011 $'000	2010 $'000
(Loss)/Profit for the year	(52,826)	4,023
Other comprehensive income	-	-
Total comprehensive income for the period	(52,826)	4,023

b) Financial position of the parent entity comprising of:

	2011 $'000	2010 $'000
Current assets	120,081	109,229
Total assets	214,324	263,269
Current liabilities	34,091	29,167
Total liabilities	34,091	29,167

c) Total equity of the parent entity comprising:

	2011 $'000	2010 $'000
Share capital	195,917	193,662
Reserves – share based payments	14,400	14,459
Retained earnings	(30,084)	25,981
Total equity	180,233	234,102

32 Share-based payments

Expenses arise from equity-based payments. Equity-based payments include employee participation in either the Coffey Rewards Share Plan or the Coffey Rewards Option Plan.

Shares and options issued under both plans are accounted for as equity settled share-based payments as required by *AASB 2 Share-based Payment*. They are deemed to be equity settled share-based payments for employee services. An expense has been recognised for the fair value of the shares or options, and is recognised on a straight line basis, over the vesting period attaching to the shares or options.

Vendor share based payments

In addition, certain executives have participated as vendors in business acquisitions entered into by the Group during prior years. In each instance, the individual was not an executive of the Group prior to the acquisition. Due to the nature of certain

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32 Share-based payments (continued)

acquisition terms, payments or benefits received by individuals are considered to be remuneration earned subsequent to the business acquisition date.

In some instances, a component of the equity-based acquisition consideration is deferred and contingent upon the individual remaining an employee for a three to five year period. This component of the acquisition consideration is considered to be a share-based payment for accounting purposes (pursuant to Account Standard *AASB 2 Share-based payments*) and is excluded from the acquisition accounting and included as remuneration. The Board of Directors considers that these arrangements are aligned with the Group's and Shareholder interests as they either reward individuals for contributing to the performance of the Group or encourage executives to remain with the Group post-acquisition.

a. Coffey Rewards Share Plan (formerly Coffey International Limited Employee Leveraged Share Plan)

The Coffey Rewards Share Plan was approved by special resolution at the Annual General Meeting of the Company held on 21 November 1995 and later amended at the Annual General Meeting of the Company in November 2007.

The Coffey Rewards Share Plan entitles nominated employees in the Group (including Executive Directors) to purchase shares, subject to vesting, in Coffey International Limited (ASX Code COF) funded by way of interest free limited recourse loans from Coffey International Limited.

The loans arising from the issue of shares under the Share Plan are limited recourse in nature and accordingly provide equity upside opportunity to the individual without equity downside price risk. The loan reduces over the life of the arrangement by the value of dividends paid per instrument. In respect of options, the full exercise price of the options being exercised is required for delivery to the Company before issue of shares to the individual occurs.

As the limited-recourse loan is used only with newly issued shares, rather than with shares bought on market, Shareholders are not exposed to any cash loss risk arising from the limited-recourse loan. For accounting purposes, the arrangements are considered to be an option whereby the employee effectively has the option to repay the remaining loan balance in order to take ownership of the shares after the vesting conditions have been satisfied. Due to their limited recourse nature, the arrangements are not considered a loan for related party disclosure purposes.

All shares issued to the Coffey Rewards Share Plan rank equally with all other fully-paid ordinary shares on issue.

Vesting Conditions

The number of shares ultimately vesting depends on the level of achievement of the service and performance hurdles attached to each grant. Maximum shares are vested only when 100% of each measure is achieved. The service condition requires that the participants must remain employed by the Group at the time of vesting. The performance measures are based on the Operating Earnings Per Share (OEPS) annualised compound growth rate over three years and Total Shareholder Return (TSR) compared to the ASX 300 Accumulation Index performance over the same period. These vesting conditions are subject to certain exceptions as set out in the plan's trust deed.

If the vesting conditions for the Share Plan are met, the arrangement vests, allowing the individual the choice to settle the remaining exercise price and take ownership of the shares available to them under the grant or to leave the current arrangement in place and repay the loan through dividends earned.

Loyalty grants are subject only to the three-year service condition.

Allocations of shares are determined by the Directors and the loan incurred by the employee is calculated as the market value of the Company shares at the date of acquisition multiplied by the number of shares acquired on their behalf.

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32 Share-based payments (continued)

Coffey Rewards Share Plan – summary of long-term rewards issues

Plan year	Grant date	Vesting date		No. of participants at issue date	No. of participants at 30-Jun-11	Vesting conditions
2011	Mar 2011	Mar 2014	Incentive & Service	1	1	50% OEPS + Service 50% TSR + Service
2010	Dec 2010	Dec 2013	Loyalty	184	183	100% Service
			Incentive & Service	193	190	20% Service 40% OEPS + Service 40% TSR + Service
2009	Dec 2009	Nov 2012	Loyalty	175	158	100% Service
			Incentive & Service	234	184	20% Service 40% OEPS + Service 40% TSR + Service
2008	Nov 2008	Nov 2011	Loyalty	99	68	100% Service
			Incentive & Service	171	63	20% Service 40% OEPS + Service 40% TSR + Service

Shares granted but not yet vested at balance date under the Coffey Rewards Share Plan are:

Grant date		Number of shares	Loan value at grant date (per share)	Loan value at grant date $'000	Exercise price^ at 30-Jun-11 (per share)
28-Nov-08	Loyalty	100,139	$1.58	179	$1.39
28-Nov-08	Incentive & Service	887,210	$1.58	2,910	$1.39
22-Dec-09	Loyalty	172,977	$2.07	455	$1.98
22-Dec-09	Incentive & Service	1,562,719	$2.07	4,401	$1.98
3-Dec 2010	Loyalty	455,334	$1.04	474	$1.04
3-Dec 2010	Incentive & Service	4,123,040	$1.04	4,296	$1.04
12-Mar-2011	Incentive & Service	694,323	$0.80	563	$0.80
Total		**7,995,742**			

^ Exercise price represents the loan repayment value at 30 June 2011 after application of dividends

The weighted average share price and number of equity-shares accounted for as options are as follows:

	Weighted average exercise price 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at 1 July	$2.32	7,067,069	$2.78	6,221,483
Forfeited	$2.46	(3,696,192)	$3.36	(1,604,382)
Exercised	-	(104,140)	-	-
Granted	$1.02	6,088,643	$2.07	2,449,968
Outstanding at 30 June	$1.53	9,355,380	$2.32	7,067,069
Exercisable at 30 June	$3.12	1,359,638	$2.22	722,104

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32 Share-based payments (continued)

Share-based options outstanding at 30 June 2011 have an exercise price ranging from nil to $3.64 and weighted average contractual life of 6.24 years.

The total amount outstanding on the Coffey Rewards Share Plan at the balance date excluding forfeited shares is $15,050,807 (2010: $16,392,000).

b. Coffey Rewards Share Option Plan

The Coffey Rewards Option Plan (Option Plan) implemented during the 2009 financial year, entitles nominated employees in the Group to be granted options to acquire shares on exercise, subject to vesting, in the Coffey International Limited entity. Certain executives selected to participate in the Coffey Rewards Plan, by virtue of their country of residency, are unable to participate in the Coffey Rewards Share Plan; to accommodate this restriction, the Company has invited those executives to participate in the Option Plan.

Allocations of options are determined by the Directors and the exercise price for each option is calculated as the market value of the Company's shares at the date of grant. Details of recent grants for issue of options under the scheme to eligible employees are shown below.

The options issued under the scheme are subject to a minimum three year vesting condition during which period the employee must remain employed by the Group (subject to certain conditions as set out in the Plan Rules).

The vesting conditions and performance hurdles in respect of the options are identical to those applying to the Share Plan.

Coffey Rewards Option Plan – summary of long-term rewards issues

Plan year	Grant date	Vesting date		No. of participants at issue date	No. of participants at 30 Jun-11	Vesting conditions
2010	Dec 2010	Nov 2013	Incentive & Service	45	38	20% Service 40% OEPS + Service 40% TSR + Service
2009	Dec 2009	Nov 2012	Incentive & Service	46	28	20% Service 40% OEPS + Service 40% TSR + Service
2008	Nov 2008	Nov 2011	Incentive & Service	10	4	20% Service 40% OEPS + Service 40% TSR + Service

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32 Share-based payments (continued)

Options Issued

Details of the options issued not yet vested at balance sheet date under the Coffey Rewards Option Plan are as follows:

Date of issue	Minimum vesting conditions	Number of participants	Number of options	Expiry date	Exercise price
28-Nov-08	3 years continuous service	3	119,275	28-Nov-18	$1.58
22-Dec-09	3 years continuous service	25	644,917	30-Nov-14	$2.07
3-Dec-10	3 years continuous service	39	773,130	03-Dec-15	$1.042
Total		**67**	**1,537,322**		

The weighted average share price and number of equity-shares accounted for as options, is as follows:

	Weighted average exercise price 2011	**Number of options 2011**	Weighted average exercise price 2010	Number of options 2010
Outstanding at 1 July	$1.97	1,584,034	$2.03	684,926
Forfeited	$1.72	(1,162,303)	$2.88	(147,522)
Exercised	-	-	-	-
Granted	$1.04	1,115,591	$2.07	1,046,630
Outstanding at 30 June	$1.51	1,537,322	$1.97	1,584,034
Exercisable at 30 June	-	-	-	-

c. Valuation – Coffey Rewards Share Plan And Coffey Rewards Option Plan

The valuation methodology used to determine the option-based payment expense is identical to that applying to shares and is set out below.

The Directors obtained an independent valuation of the shares in the Coffey Rewards Share Plan and the options in the Coffey Rewards Option Plan.

The independent valuer was CRA Plan Managers Pty Ltd. The reports were prepared on the basis that the shares granted in the plan required valuation as options, with an exercise price equal to the loan repayment value plus the net present value of expected dividends over the vesting period.

The valuation methodology used to determine the share-based payment expense was the Monte Carlo simulation model. As required by AASB 2, the model took into account the exercise price of the option, the life of the option, the current price of the underlying shares, the expected volatility of the share price, the dividends expected on the shares and the risk-free interest rate for the life of the option. The expected life of the instrument was deemed to be the period from grant date to first available exercise date plus 12 months.

Coffey International Limited
Notes to the financial statements
For the year ended 30 June 2011

32 Share-based payments (continued)

The model inputs were as follows for the options and shares subject to valuation for the purposes of share-based payment expense in 2011:

Instruments	**Shares**	**Shares**	**Options**
Date of issue	**10-Mar-11**	**3-Dec-10**	**3-Dec-10**
Date of valuation report	**8-Jun-11**	**8-Jun-11**	**8-Jun-11**
	Incentive & Service	**Incentive & Service**	**Incentive & Service**
Risk-free rate	5.26%	5.19%	5.19%
Standard deviation	50%	50%	50%
Share price at effective date	$0.82	$1.035	$1.035
Exercise price (low repayment)	$0.811	$1.042	$1.042
Annualised dividend yield	6.3%	6.3%	6.3%
Number of options or shares	694,323	4,883,307	1,115,591
Performance conditions	OEPS and TSR vesting conditions	OEPS and TSR vesting conditions	OEPS and TSR vesting conditions
Fair value of the share-based payment	OEPS Tranche: $0.35 TSR Tranche: $0.27	OEPS Tranche: $0.44 TSR Tranche: $0.36	OEPS Tranche: $0.31 TSR Tranche: $0.26

The model inputs were as follows for the shares and options subject to valuation for the purpose of equity-based payment expense in 2010:

Instruments	**Shares**	**Shares**	**Options**
Date of issue	**22-Dec-09**	**22-Dec-09**	**22-Dec-09**
Date of valuation report	**10-Feb-10**	**10-Feb-10**	**10-Feb-10**
	Loyalty	**Incentive & Service**	**Incentive & Service**
Risk-free rate	4.57%	4.57%	4.57%
Standard deviation	44.62%	44.62%	44.62%
Share price at effective date	$2.08	$2.08	$2.08
Exercise price (loan repayment)	$2.07	$2.07	$2.07
Annualised dividend yield	7.32%	7.32%	7.32%
Number of options or shares	228,534	2,221,434	1,046,630
Performance conditions	Service only	Service, OEPS and TSR vesting conditions	Service, OEPS and TSR vesting conditions
Fair value of the share-based payment	$1.10	Service Tranche: $1.10 OEPS Tranche: $1.10 TSR Tranche: $1.03	Service Tranche: $0.48 OEPS Tranche: $0.48 TSR Tranche: $0.41

Coffey International Limited
Notes to the financial statements
For the year ended 30 June 2011

32 Share-based payments (continued)

d. Expenses arising from share-based payment transactions

Total expenses (including forfeitures) arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2011 $'000	2010 $'000
Shares issued under Coffey Rewards Share Plan	504	518
Shares issued through business combinations but not yet vested for accounting purposes	239	1,284
Income statement expense	743	1,802
Cash settled liability	451	-
Total	1,194	1,802

Coffey International Limited
Notes to the financial statements
For the year ended 30 June 2011

33 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding 2011	Equity holding 2010
Aquaclear Technology Pty Ltd	Australia	Ordinary	**100%**	100%
Asia Pacific Rail (NSW) Pty Ltd	Australia	Ordinary	**100%**	100%
Asia Pacific Rail Pty Ltd	Australia	Ordinary	**100%**	100%
Balance Consulting Australia Pty Ltd	Australia	Ordinary	**100%**	100%
BFP Consultants Pty Ltd	Australia	Ordinary	**100%**	100%
Carson Group Australia Pty Ltd	Australia	Ordinary	**100%**	100%
Carson Group NSW Admin Pty Ltd	Australia	Ordinary	**100%**	100%
Carson Group Pty Ltd	Australia	Ordinary	**100%**	100%
Carson Group QLD Pty Ltd	Australia	Ordinary	**100%**	100%
Carson Group Vic Admin Pty Ltd	Australia	Ordinary	**100%**	100%
Carson Group Vic Pty Ltd	Australia	Ordinary	**100%**	100%
CCG Group Pty Ltd	Australia	Ordinary	**100%**	100%
Clifton Coney Group (NSW) Pty Ltd	Australia	Ordinary	**100%**	100%
Clifton Coney Group (QLD) Pty Ltd	Australia	Ordinary	**100%**	100%
Clifton Coney Group (SA) Pty Ltd	Australia	Ordinary	**100%**	100%
Clifton Coney Group (VIC) Pty Ltd	Australia	Ordinary	**100%**	100%
Clifton Coney Group (WA) Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Corporate Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Corporate Services Pty Ltd	Australia	Ordinary	**100%**	-
Coffey Environments Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Environments KSA Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Europe ME Holdings Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Geosciences Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Geotechnics Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Information Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Institute Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey International Development Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey International Development (Middle East) Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Metago Environmental Engineers Pty Ltd	Australia	Ordinary	**50%**	50%
Coffey Mine Development Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Mining Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey MPW Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Natural Systems Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Partners International Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Project Management Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Projects (Australia) Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Rail Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Strategy Pty Ltd	Australia	Ordinary	**100%**	100%
DASCEM Pty Ltd	Australia	Ordinary	**100%**	100%
Farsands Facilities Management Ltd	Australia	Ordinary	**100%**	100%
Farsands Risk Management Pty Ltd	Australia	Ordinary	**100%**	100%
Farsands Solutions Pty Ltd*	Australia	Ordinary	**100%**	100%
Farsands Project Solutions Pty Ltd	Australia	Ordinary	**100%**	100%
IT Environmental (Australia) Pty Ltd	Australia	Ordinary	**100%**	100%
John Wertheimer Consultants Pty Ltd	Australia	Ordinary	**100%**	100%
Macsis Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey LPM Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Commercial Advisory Pty Ltd	Australia	Ordinary	**100%**	100%
RSG Global Consulting Pty Ltd	Australia	Ordinary	**100%**	100%
Soil & Rock Engineering Pty Ltd	Australia	Ordinary	**100%**	100%
Specialist Training Australia Pty Ltd	Australia	Ordinary	**100%**	100%
Teal Management Services Pty Ltd	Australia	Ordinary	**100%**	100%
Water Studies Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Africas Holdings Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Asia Holdings Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Americas Holdings Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Australia Holdings Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Services Australia Pty Ltd	Australia	Ordinary	**100%**	100%

Coffey International Limited
Notes to the financial statements
For the year ended 30 June 2011

33 Subsidiaries (continued)

Name of entity	Country of incorporation	Class of shares	Equity holding 2011	2010
Coffey Environments Australia Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey IP Pty Ltd	Australia	Ordinary	**100%**	100%
Global Justice Solutions (Pacific) Pty Ltd	Australia	Ordinary	**100%**	-
Global Justice Solutions (Asia) Pty Ltd	Australia	Ordinary	**100%**	-
Global Justice Sollutions Pty Ltd	Australia	Ordinary	**100%**	100%
Coffey Oman Pty Ltd	Australia	Ordinary	**100%**	-
Clifton Coney Group (Indo-China) Ltd	Vietnam	Ordinary	**100%**	100%
Coffey Projects (Middle East) Ltd	Jersey	Ordinary	**100%**	100%
Coffey Projects International Pty Ltd	B.V.I.	Ordinary	**100%**	100%
Coffey Consultoria E Servicos Ltda	Brazil	Ordinary	**100%**	100%
Coffey Canada Inc.	Canada	Ordinary	**100%**	100%
Coffey Geotechnics Inc.	Canada	Ordinary	**100%**	100%
Coffey Asia Ltd	Hong Kong	Ordinary	**100%**	100%
Coffey (Malaysia) Sdn Bhd	Malaysia	Ordinary	**100%**	100%
Coffey Holdings Sdn Bhd	Malaysia	Ordinary	**100%**	100%
Carson Group (AKL) Ltd	New Zealand	Ordinary	**100%**	100%
Carson Group (SI) Ltd	New Zealand	Ordinary	**100%**	100%
Carson Group (WGTN) Ltd	New Zealand	Ordinary	**100%**	100%
Carson Group Ltd	New Zealand	Ordinary	**100%**	100%
Carson Investments (AKL) Ltd	New Zealand	Ordinary	**100%**	100%
Carson Investments (SI) Ltd	New Zealand	Ordinary	**100%**	100%
Carson Investments (WGTN) Ltd	New Zealand	Ordinary	**100%**	100%
Clifton Coney Group (NZ) Ltd	New Zealand	Ordinary	**100%**	100%
Coffey Environments (NZ) Ltd	New Zealand	Ordinary	**100%**	100%
Coffey Geotechnics (NZ) Ltd	New Zealand	Ordinary	**100%**	100%
Coffey Information (NZ) Ltd	New Zealand	Ordinary	**100%**	100%
Coffey International NZ Ltd	New Zealand	Ordinary	**100%**	100%
Coffey Projects (New Zealand) Ltd	New Zealand	Ordinary	**100%**	100%
Coffey Rail (NZ) Ltd	New Zealand	Ordinary	**100%**	100%
Aquaclear Technology (Pakistan) Pvt Ltd	Pakistan	Ordinary	**95%**	95%
Coffey Services PNG Limited	Papua New Guinea	Ordinary	**100%**	100%
Coffey Philippines Inc **	Philippines	Ordinary	**40%**	40%
Coffey International Inc.	Philippines	Ordinary	**100%**	100%
Coffey International Development Sp. z o.o	Poland	Ordinary	**100%**	100%
RSG Senegal SARL *(deregistered during the year)*	Senegal	Ordinary	**-**	100%
Coffey Projects (Singapore) Pte. Ltd	Singapore	Ordinary	**100%**	100%
Bovell Freeman Holly Pty Ltd	South Africa	Ordinary	**100%**	100%
Coffey International (Africa) Pty Ltd *(formerly Clifton Coney Group (Africa)Pty Ltd)*	South Africa	Ordinary	**100%**	100%
Coffey Mining (South Africa) Pty Ltd	South Africa	Ordinary	**100%**	100%
Coffey Projects (Africa) Pty Ltd *(formerly Duncan Rhodes Pty Ltd)*	South Africa	Ordinary	**51%**	51%
Duncan Rhodes Construction Pty Ltd	South Africa	Ordinary	**51%**	51%
Duncan Rhodes Procurement Pty Ltd	South Africa	Ordinary	**51%**	51%
RSG Global Consulting (SA) Pty Ltd	South Africa	Ordinary	**100%**	100%
Coffey Thailand Ltd	Thailand	Ordinary	**49%**	49%
STA Free Zone Ltd Liability Company	U.A.E.	Ordinary	**100%**	100%
Coffey (UK) Ltd	U.K.	Ordinary	**100%**	100%
Coffey Geotechnics Ltd	U.K.	Ordinary	**100%**	100%
Coffey International Development Holdings Ltd	U.K.	Ordinary	**100%**	100%
Coffey International Development Ltd	U.K.	Ordinary	**100%**	100%
EDGE Consultants UK Ltd	U.K.	Ordinary	**100%**	100%
Global Justice Solutions EMEA Ltd	U.K.	Ordinary	**100%**	-
Libra Advisory Group Ltd	U.K.	Ordinary	**100%**	-
Webber Associates UK Ltd	U.K.	Ordinary	**100%**	100%
The Evaluation Partnership Ltd	U.K.	Ordinary	**100%**	100%
Coffey Environments Inc.	U.S.A.	Ordinary	**100%**	100%
Coffey International Development Inc.	U.S.A.	Ordinary	**100%**	100%
Coffey International Inc.	U.S.A.	Ordinary	**100%**	100%
Management Systems International Inc.	U.S.A.	Ordinary	**100%**	100%
Coffey USA Inc.	U.S.A.	Ordinary	**100%**	100%
Clifton Coney Group (Vietnam) Ltd	Vietnam	Ordinary	**100%**	100%

* Farsands Solutions Pty Ltd has a minority holding of less than 0.01%
** The remaining 60% of the issued capital is held by a third party for the benefit of the Coffey International Group

Coffey International Limited
Directors' declaration

In the opinion of the Directors of Coffey International Limited:

a) the financial statements and notes, and the Remuneration report in the Directors' report, set out on pages 24 to 44, are in accordance with the Corporations Act 2001, including:

- complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

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

The Directors have been given the declarations required by section 295A of the Companies Act 2001 by the Managing Director and Chief Financial Officer.

The Directors draw attention to note 1(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

John F Mulcahy
Chairman

John M Douglas
Managing Director

Sydney
2 September 2011

Coffey International Limited
Independent auditor's report

Independent auditor's report to the members of Coffey International Limited

Report on the financial report

We have audited the accompanying financial report of Coffey International Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group 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 control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group'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.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Auditor's opinion

In our opinion, the remuneration report of Coffey International Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

J Wigglesworth
Partner

Sydney

2 September 2011

Coffey International Limited
Details of Shareholders and shareholdings

The Shareholder information set out below was applicable as at 14 September 2011.

Substantial shareholdings

The following notices of substantial shareholdings have been received by the Company:

Holder	Date of notice	Number of units	% held
Coffey Rewards Share Plan Pty Ltd	3 December 2010	10,887,972	8.21
Northcape Capital Pty Ltd	8 March 2011	10,918,037	8.16
Celeste Funds Management	29 November 2010	10,005,996	7.68

Distribution of holdings

Size of holding	Holders	Number	% held
1 – 1,010	940	508,223	0.38
1,011 – 5,000	1,919	5,584,428	4.17
5,001 – 10,000	1,041	8,208,392	6.12
10,001 – 100,000	1,619	46,430,891	34.63
100,001 and over	120	73,334,147	54.70
Total	**5,639**	**134,066,081**	**100.00**

Using the 13 September 2011 closing price of $0.495, an unmarketable parcel is one of 1,010 or fewer shares.

Equity security holders

The names of the twenty largest holders of quoted equity securities as at 14 September 2011 are listed below:

Holder name	Number of ordinary shares	% of issued shares
Coffey Rewards Share Plan Pty Ltd	10,422,711	7.77
J P Morgan Nominees Australia Limited	8,307,749	6.20
JP Morgan Nominees Australia Limited (Cash Income A/C)	4,219,085	3.15
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	3,899,711	2.91
HSBC Custody Nominees (Australia) Limited	3,736,316	2.79
National Nominees Limited	3,427,520	2.56
Citicorp Nominees Pty Limited	3,121,033	2.33
Bond Street Custodians Limited (Celeste Concentrated Fund)	3,025,658	2.26
Evelin Investments Pty Limited	1,950,000	1.46
RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST A/C)	1,547,045	1.15
RKO Superannuation Pty Ltd (R&K Olds Super Fund A/C)	1,303,357	0.97
McDemvoy Investments Pty Ltd (McDemvoy A/C)	1,066,898	0.80
Mr Peter John Stirling & Mrs Rosalind Verena Stirling	1,060,000	0.79
Mr Stanley Henry Goodhew	1,031,752	0.77
Banlan Pty Ltd	900,000	0.67
UBS Wealth Management Australia Nominees Pty Ltd	831,256	0.62
Lincoln Properties Pty Ltd (Anderson Super Fund A/C)	738,000	0.55
Mr Fabrizio Perilli (Fabrizio Perilli Family A/C)	647,367	0.48
Coffey Rewards Share Plan Pty Limited (Legacy Share Plan A/C)	617,964	0.46
Mr Francis Murray	602,500	0.45
Total	**52,455,922**	**39.14**

Voting rights

The voting rights attached to the ordinary shares are that on a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Shareholder Information

Annual General Meeting

Date: Thursday 24 November 2011

Time: 10am

Venue: The Mint
10 Macquarie Street
Sydney NSW 2000

Dividends

Final dividend: No final dividend has been declared with respect to the year ended 30 June 2011

Share registry

Boardroom Pty Limited

Level 7

207 Kent Street

Sydney NSW 2000

GPO Box 3993

Sydney NSW 2001

Australia

Telephone 1 300 737 760 or +61 2 9290 9600

www.investorserve.com.au

Securities exchange listing

Australian Securities Exchange (code: COF)

Financial calendar

30 June 2011	Financial year end
10 August 2011	FY11 full year results announcement
24 November 2011	Annual General Meeting
31 December 2011	Half year end
15 February 2012*	FY12 half year results announcement
16 March 2012*	Record date FY12 interim dividend
30 March 2012*	Interim dividend for FY12 payable
30 June 2012	Financial year end
8 August 2012*	FY12 full year results announcement
1 October 2012*	Record date FY12 final dividend
15 October 2012*	Final dividend for FY12 payable
18 October 2012*	Annual General Meeting

* Likely dates. Subject to confirmation.

Directors

Dr John Mulcahy (Chairman)

Mr John Douglas (Managing Director)

Mr Stuart Black

Mr Charles Jamieson AM

Ms Susan Oliver

Mr Stephen Williams

Company Secretary

Ms Jennifer Waldegrave

E-mail company_secretary@coffey.com

Registered office

Tower 1, Level 3

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Chatswood NSW 2067

Australia

Telephone +61 2 8404 4300

Facsimile +61 2 9419 5689

E-mail investor_relations@coffey.com

Website

coffey.com

Auditor

KPMG

10 Shelley Street

Sydney NSW 2000

Electronic communication

Coffey encourages all Security holders to receive communications from the Group by e-mail if possible.

Coffey publishes, and posts to its website, its Annual Report in October each year. This Financial Report is lodged with the ASX and ASIC and is also available within the investor section of the Coffey website.

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Coffey Annual Report **2011**

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