

The recommendations are written in a principles based fashion and individual boards are able to choose whether to follow the recommended practices or to adopt other practices that are better suited to the individual circumstances of the Group. Given the size and specific circumstances of Oldfields Holdings Limited the Board recognises that some of the best practice recommendations are not suited to obtaining the best shareholder outcomes at the present time. This situation is monitored by the Board and the recommendations will be adopted as and when the Group's circumstances allow.

All relevant best practice recommendations of the ASX Corporate Governance Council have been applied for the financial year ended 30 June 2011 unless specifically disclosed below. Where a recommended practice has not been followed a detailed description of the practices adopted in its stead is provided together with a commentary on how the risks of non-adoption of the recommended practice are mitigated.

<b>Recommendation</b>	<b>Recommended Practice</b>	<b>Oldfields' Practice</b>
Recommendation 1.1	Establish functions reserved for the board and for senior management.	The recommended practice is adopted.
Recommendation 1.2	Disclose the process for evaluation of senior executives.	The recommended practice is adopted.
Recommendation 1.3	Provide information indicated in the Guide.	The indicated information is provided.
Recommendation 2.1	Majority of the Board should be independent Directors.	The majority of the Board is not independent and the risk management process is disclosed.
Recommendation 2.2	The Chair should be an Independent Director.	The recommended practice is adopted.
Recommendation 2.3	The Chair and the CEO should not be the same person.	The recommended practice is adopted.
Recommendation 2.4	The Board should establish a nominations Committee.	Nominations are considered by the whole board.
Recommendation 2.5	Disclose the process for evaluation of the performance of the Board, its committees and individual directors.	The process is disclosed. No formal evaluation was undertaken in the reporting period.
Recommendation 2.6	Provide information indicated in the Guide.	The indicated information is provided.
Recommendation 3.1	Establish and Disclose a Code of Conduct.	The recommended practice is adopted.
Recommendation 3.2	Establish a Diversity Policy.	The recommended practice will be considered for adoption subsequent to year end.
Recommendation 3.3	Adopt measurable diversity targets.	The recommended practice will be considered for adoption subsequent to year end.
Recommendation 3.4	Report on the proportion of women.	The recommended practice is adopted.
Recommendation 3.5	Provide information indicated in the Guide.	The recommended practice is adopted.
Recommendation 4.1	The Board should establish an Audit Committee.	The recommended practice is adopted.
Recommendation 4.2	The audit committee should be structured to: <ul style="list-style-type: none"> <li>• consist only of non-executive directors;</li> <li>• consist of a majority of independent directors;</li> <li>• be chaired by an independent chair, who is not chair of the board; and</li> <li>• have at least three members.</li> </ul>	The committee has only two members, one of whom is not independent, and is chaired by the Chairperson of the Board.
Recommendation 4.3	The audit committee should have a formal charter.	The recommended practice is adopted.
Recommendation 4.4	Provide the information indicated in the Guide.	The information is disclosed.
Recommendation 5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those	The recommended practice is adopted. The policy is disclosed.

<b>Recommendation</b>	<b>Recommended Practice</b>	<b>Oldfields' Practice</b>
	policies.	
Recommendation 5.2	Provide the information indicated in the Guide.	The information is provided.
Recommendation 6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The recommended practice is adopted. The policy is disclosed.
Recommendation 6.2	Provide the information indicated in the Guide.	The recommended practice is adopted.
Recommendation 7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The recommended practice is adopted. The Risk Management Statement is disclosed.
Recommendation 7.2	The board should require management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks.	The recommended practice is adopted.
Recommendation 7.3	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The recommended practice is adopted.
Recommendation 7.4	Provide the information indicated in the Guide.	The indicated information is provided.
Recommendation 8.1	The board should establish a remuneration committee.	The recommended practice is adopted.
Recommendation 8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent chair</li> <li>• has at least three members.</li> </ul>	The committee does not have a majority of independent directors, is chaired by the Chairperson of the Board who is an independent director and has only two members.
Recommendation 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The recommended practice is adopted.
Recommendation 8.4	Provide the information indicated in the Guide.	The indicated information is provided.

Up-to-date information is available on the Group's website which contains a clearly marked corporate governance section.

**Principle 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT & OVERSIGHT**

*Recommendation 1.1 – Establish functions reserved for the Board and for Senior Management and disclose those functions.*

The Board of Directors are accountable to the shareholders for the performance of the Group. The Board sets the strategic direction and delegate's responsibility for the management of the Group to the Chief Executive Officer.

A copy of the Board Charter, which promotes a culture within the Group of accountability, integrity and transparency, is available from the Group's website.

Each Board member must, at all times, act honestly, fairly and diligently in all respects in accordance with the Group's Code of Conduct and all laws that apply to the Group.

Key matters reserved for the Board include:

- Oversight of the Group, including its control, accountability and compliance systems;
- Appointment, monitoring, managing performance and if necessary removal of the Chief Executive Officer, Chief Financial Officer and Company Secretary;
- Input, assessment, appraisal and final approval of management's development of corporate strategy and performance objectives;
- Monitoring risk management;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- Approval and monitoring financial and other reporting;
- Ensuring the market and shareholders are fully informed of material developments; and
- Recognising the legitimate interests of stakeholders.

The expectations of Directors are outlined in a formal Letter of Appointment which details the term of appointment, fees, power and duties and other information pertinent to their roles.

Responsibility for the day-to-day management of the Group and its operations is delegated to senior executive management. The expectations of senior executive management are outlined in Board decisions which are communicated to the Chief Executive Officer and recorded in the Board Minutes and also in the position descriptions and KPI's for each senior executive role.

The Board holds a minimum of six formal meetings a year, but usually ten. Additional meetings are held as required.

Details of current members of the Board are disclosed in the Directors' Report.

*Recommendation 1.2 – Disclose the process for evaluation of senior executives.*

Senior executive management are evaluated each year on their performance against stated objectives, goals and key performance indicators (KPI's).

Overall performance is reviewed by the particular senior executive's direct supervisor and ultimately by the Chief Executive Officer and/or Board of Directors.

*Recommendation 1.3 – Provide information indicated in the Guide to reporting on Principle 1.*

- There are no departures from Recommendations 1.1, 1.2 or 1.3;
- Senior executive performance evaluations have taken place during the reporting period as detailed in Recommendation 1.2.

## **Principle 2. STRUCTURE THE BOARD TO ADD VALUE**

The Board currently has four directors, comprising two non-executive directors, including the chairperson, and two executive directors.

The Board has adopted the following principles:

- The same individual should not exercise the roles of chairperson and chief executive officer;
- The Board should not comprise a majority of executive directors; and
- The Board should comprise persons with a broad range of skills and experience appropriate to the needs of the Group.

*Recommendation 2.1 – Majority of the Board should be independent directors.*

Independent directors are those who are independent of management and 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 unfettered and independent judgment.

In assessing the independence of directors, an independent director is a non-executive director and:

- Is not a substantial shareholder, as defined in section 9 of the Corporations Act, of the Group or an officer of, or otherwise associated directly with, a substantial shareholder of the Group;
- Has not within the last three years been employed in an executive capacity by the Group or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- Has not within the last three years been a principal of a material professional advisor or a material consultant to the Group or another group member, or an employee materially associated with the service provided; and
- Is not a material supplier or customer of the Group or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

At the date of this report only the Chairperson is an independent director.

The following directors do not meet the independence criteria listed above:

- William Lewis Timms: appointed 18<sup>th</sup> December 2009, currently a non-executive director and substantial shareholder;
- Christopher Charles Hext: appointed 29<sup>th</sup> June 2001, resigned 8<sup>th</sup> July 2011, formerly a non-executive director and substantial shareholder;
- Christopher Giles: appointed 24<sup>th</sup> September 2010, currently an executive director; and
- Ray Titman: appointed 23<sup>rd</sup> July 2010, currently an executive director.

The board manages the risk of having a majority of non-independent directors through the provision of a well-qualified independent Chairperson, restrictions on trading in shares, restrictions on related party transactions, a close relationship with the principal provider of debt funding and a strong independent audit with a focus on controls.

*Recommendation 2.2 – The Chair should be an Independent Director.*

The current Chair, Julie Garland McLellan is an independent director.

*Recommendation 2.3 – The Chair and the CEO should not be the same person.*

The duties and responsibilities of the Chair and Chief Executive Officer are separate and each position is held by a different individual.

*Recommendation 2.4 – The Board should establish a Nomination Committee.*

Given the size and requirements of the Group, the Board has decided that a nomination committee is not required at this point in time. At present all members of the Board consider the composition of the Board and appointment of new directors.

*Recommendation 2.5 – Disclose the process for evaluation of the performance of the Board, its committees and individual directors.*

The Board has undergone a significant change in composition during the reporting period and has not completed a formal evaluation process within that period. A formal evaluation will be undertaken as a matter of course in 2012. The Chairperson performs an informal evaluation of individual directors and also of each board meeting. During the course of the year the following meetings were held and attended:

<b>Director</b>	<b>Eligible to Attend</b>	<b>Meetings Attended</b>
Julie Garland McLellan	4	4
Christopher Charles Hext	12	10
William Lewis Timms	12	12
Raymond John Titman	12	12
Christopher Michael Giles	10	10

Information is supplied to the Board in advance of the scheduled board meetings so that each director may make independent assessment of the data and the Board as a whole may discharge its duties effectively. Directors are entitled to seek additional information where considered necessary to make informed decisions.

The Company Secretary supports the Board in coordinating the timely completion and dispatch of the board agenda and board papers. The appointment and removal of the Company Secretary is governed by the Board as a whole.

*Recommendation 2.6 – Provide information recommended in the Guide on Principal 2.*

- The skills, experience and relevant position of each director are detailed in the Directors' Report;
- The names of the independent and non-executive directors and the materiality threshold are discussed in Recommendation 2.1;
- Any relationships between a Director and the Group which may affect independence are stated in Recommendation 2.1;
- The Group acknowledges directors require high quality information and advice on which to base their decisions and considerations. All directors have the right to seek advice and clarification from the Group's auditors, financial and legal advisors on any matter relating to the performance of the Group or the Board;
- Directors additionally have the right to seek independent professional advice to help them carry out their responsibilities. Expenses will need to be approved in advance by the Chairperson. If the Chairperson is unable or unwilling to give approval, then board approval will be sufficient. Any costs incurred will be borne by the Group;
- The period of office held by each director in office at the date of the Annual Report is disclosed in the Directors' Report;
- A performance review as disclosed in Recommendation 2.5 was performed during the reporting period; and
- Any departures from recommendations relating to Principal 2 have been disclosed in the discussion of the relevant recommendation.

**Principle 3. PROMOTE ETHICAL AND RESPONSIBLE DECISION – MAKING**

*Recommendation 3.1 – Establish and Disclose a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Board has a code of conduct for directors and Group officers and employees. The key elements of the code are:

- Conflicts of interest;
- Corporate opportunities;
- Confidentiality;
- Fair dealing;
- Protection of assets;
- Compliance with laws and regulations; and
- Promotion of ethical and lawful behavior.

*Recommendation 3.2 – Establish a Diversity Policy and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.*

Subsequent to the end of the reporting period the Board will consider adopting a Diversity Policy. The policy would include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

*Recommendation 3.3 – Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.*

The policy will be considered subsequent to year end, and if adopted, the objectives relating to the following year will be disclosed in that report.

*Recommendation 3.4 – Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.*

The current proportion of women as at 30 June 2011 is:

	No. of Women	No. of Men	% of Women
Board	1	3	25
Corporate	17	6	74
Paint Applications	7	15	32
Treco Garden Sheds	2	14	13
Scaffolding	6	64	9
Scaffolding - China	8	21	28
Total	41	123	25

*Recommendation 3.5 - Provide information recommended in the Guide on Principal 3.*

A copy of the Code of Conduct can be obtained from the Corporate Governance section of the Group's website.

#### **Principle 4. THE BOARD SAFEGUARDS THE INTEGRITY OF FINANCIAL REPORTING**

The Chief Executive Officer and the Chief Financial Officer state, in writing, to the Board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial position and operational results and are in accordance with relevant accounting standards.

*Recommendation 4.1 – the Board should establish an Audit Committee.*

The Board has an Audit Committee, which:

- Has two members who are non-executive directors;
- Has a written charter which can be obtained from the Corporate Governance section of the Group's website; and
- Includes members who are all financially literate.

Details of the members are disclosed in the Director's Report.

The Board recognises that an independent audit committee is an important feature of good corporate governance.

*Recommendation 4.2 – The audit committee should be structured so that it consists only of non-executive directors, consists of a majority of independent directors, is chaired by an independent chair, who is not chair of the board, and has at least three members.*

The Audit Committee:

- Consists only of non-executive directors, however all directors are entitled to receive the papers of the committee and to attend meetings of the committee and to meet with the auditors;
- Is chaired by an independent chairperson. It is recommended that the Chairperson of the Audit Committee is not the Chairperson of the Board. In the case of Oldfields Holdings Limited, there are only two non-executive directors on the Board. One is Chairperson of the Board and resides in Sydney and the other is a substantial shareholder and resides in Perth. The Board has determined that given the need for the Chairperson of the Audit Committee to work closely with the auditors, it is more appropriate for the most independent and locally residing director to take this role. The Board reviews committee composition as changes to the Board occur and will review this arrangement at such times in the future.
- Has two members. Given the size and structure of the Board, as discussed in Recommendation 2.1, the Board feels that two members both of whom are financially literate, is sufficient at this time.

The risk with a small committee is that the members will lack the diversity to raise and recognise issues. The risk with having the Chairperson of the Board being Chairperson of the audit committee is that there is a lack of independent oversight due to the concentration of power and information in one person. This risk is managed through specific working arrangements with the auditors having access to the full board at any time upon their request and through ensuring that the Chairperson of the Board and audit committee is a well-qualified independent director. It is intended to review this arrangement and adopt the recommended practice if and when the board composition changes.

*Recommendation 4.3 – Audit Committee should have a formal charter.*

The Audit Committee has a formal charter, the key elements of the Charter are:

- Role of the Committee;
- Membership;
- Meetings;
- Responsibilities;
- Authority;
- Independence; and
- Non-audit work.

The Board and Audit Committee closely monitor the independence of the external auditor. The Audit Committee meets a minimum of twice a year. The committee also meets in private, with management without the external auditor and, at a separate time, with the external auditor without management.

*Recommendation 4.4 - Provide information recommended in the Guide on Principal 4.*

The members of the Audit Committee are:

- Julie Garland McLellan (Chairperson); and
- William Lewis Timms.

The details of the qualifications of the Audit Committee members are disclosed in the Directors' Report.

The details of the number of Audit Committee meetings held are contained in the Directors' Report.

Departures from recommendations included in Principle 4 have been disclosed in the discussion of the relevant recommendations.

#### **Principle 5. THE BOARD MAKES TIMELY AND BALANCED DISCLOSURE**

*Recommendation 5.1 – Establish policy on ASX Listing Rule disclosure requirements and ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

The Group has established procedures to ensure compliance with ASX Listing Rules which require that when an entity becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information.

A Continuous Disclosure Policy and Procedure has been prepared and is available from the Corporate Governance section of the Group's website.

*Recommendation 5.2 - Provide information recommended in the Guide on Principal 5.*

The information is provided above.

#### **Principle 6. RESPECT THE RIGHTS OF SHAREHOLDERS**

*Recommendation 6.1 – Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

The Group has developed and implemented a shareholder communication strategy. The Group promotes effective communication with shareholders and encourages effective participation at the Group's general meetings.

Shareholders and other parties will be able to access the following information from the Group's website:

- Copies of all announcements given to the ASX;
- Press releases and copies of letters to shareholders;
- Copies of annual and half year financial reports; and
- Details of notices of shareholders meetings including information on general meetings.

The requirements of continuous disclosure ensure that the Group discloses relevant information to the shareholders and the market in a timely and full manner.

*Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.*

The Shareholder Communication Strategy is available on the Oldfields website.

## **Principle 7. RECOGNISE AND MANAGE RISK**

*Recommendation 7.1 – Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

The Board recognises that there are a number of complex operational, commercial, financial and legal risks and has in place procedures to safeguard the Group's assets and interests.

An Occupational Health and Safety Committee has been established to monitor and recommend changes to safe working practices and a safe working environment. The chairperson is not a director, and the committee comprises the managing director, senior executive officers and employee representatives.

The Board has developed a risk management policy the purpose of which is:

- Identify, access, monitor and manage risk;
- Inform investors of material changes to the Group's risk profile;
- Enhance the environment for capitalising on value creation opportunities;
- Ensure compliance with the Corporations Act;
- Consider the reasonable expectations of its stakeholders;
- The measures and procedures in place to comply with these regulations; and
- How compliance with those measures and procedures will be monitored.

A summary of these policies is contained in the Risk Management Statement which is disclosed on the Oldfields website.

*Recommendation 7.2 – The board should require management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks.*

The Group's risk management policy is designed and implemented by the Board of Directors' which meet regularly to identify all major risks, ensure appropriate risk management plans are in place and to monitor the effectiveness of the implementation of the risk management plans.

The Chief Executive Officer and the Chief Financial Officer are required to state in writing to the board that the Group's risk management and internal compliance and control system is operating effectively and efficiently in all material aspects.

In March 2011 the Board changed its formal reporting requirement such that each line of business and the corporate head office are required to disclose to the board at each regular meeting a statement regarding the level and nature of the key risks facing the business.

*Recommendation 7.3 – The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*

Written declarations are provided each year by the CEO, Chief Financial Officer and Company Secretary to the Board, stating that the Group's financial reports are based on a sound system of risk oversight and management and internal control. These statements are discussed by the board with the auditor.

*Recommendation 7.4 - Provide information recommended in the Guide on Principal 7.*

- The Board has received written declarations under Recommendation 7.2;
- The Board has received written declarations under Recommendation 7.3;
- The risk Management Policy is available on the Group website.

## **Principle 8. REMUNERATE FAIRLY AND RESPONSIBLY**

*Recommendation 8.1 – The board should establish a remuneration committee.*

The Board has established a remuneration committee. The Remuneration Committee is responsible for developing and recommending to the Board:

- Remuneration policies for Non-Executive Directors;
- Remuneration policies for the Chief Executive Officer and Chief Financial Officer;
- Remuneration policies for executive management;

- All aspects of any executive share option or acquisition scheme;
- Superannuation policies;
- Policies which motivate senior executives to pursue the long term growth and success of the Group; and
- Policies which show a clear relationship between senior executives' performance and remuneration.

*Recommendation 8.2 – The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair, and has at least three members.*

The Board has a Remuneration Committee which has two members and a documented charter. The members and qualification of the Remuneration Committee are disclosed in the Directors' Report.

Due to the size and nature of the Board as discussed in recommendation 2.1 the following items of recommendation 8.1 are not followed:

- consists of a majority of independent directors; and
- has at least three members.

The remuneration of Non-Executive Directors is by way of director's fees in the form of cash, non-cash benefits and superannuation benefits.

The total annual remuneration paid to Non-Executive Directors may not exceed the limit set by shareholders at the annual general meeting.

Non-Executive Directors do not receive options unless approved by shareholders.

*Recommendation 8.3 - Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

The Group has clearly differentiated the remuneration structure of executive and non-executive directors. The key elements of the remuneration philosophy are disclosed in the Remuneration Committee Charter which is available on the Oldfields website.

*Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.*

- The members of the Remuneration Committee and their attendance at meetings are disclosed in the Directors' Report;
- Non-Executive Directors are not provided with retirement benefits other than superannuation;
- A copy of the Remuneration Committee Charter can be obtained from the Group's web site; and
- Departures from recommendations included in Principle 8 have been disclosed in the discussion of the relevant recommendations.