

# Annual Report

Jeminex Limited

ABN 49 113 973 087

31 December 2008

**Jeminex Limited**  
**Directors' report**  
**For the year ended 31 December 2008**

The directors present their report together with the financial report of Jeminex Limited ("the Company") and of the Group, being the Company and its subsidiaries for the year ended 31 December 2008 and the auditor's report thereon.

**Directors**

The directors of the Company at any time during or since the end of the financial year are:

<b>Name, qualifications and independence status</b>	<b>Experience, special responsibilities and other directorships</b>	
Mr Kevin Clarke Executive Chairman and Director	Kevin Clarke BSc (Eng), MBA, MAICD is Non-Executive Chairman of Jeminex Limited. He is also Non-Executive Chairman of Australasian Retail Projects Pty Limited and National Fire Solution Pty Limited, both private equity backed property services companies in Australia.  Until 2006, Kevin was CEO of Alesco Corporation Limited for 11 years, a company that had grown from a market capitalisation of less than \$100 million to almost \$1 billion by 2007.  Prior to that, he was CEO of Hudaco Industries Limited, a publicly listed manufacturer and distributor of branded industrial products servicing the industrial and mining sectors in South Africa.  Kevin has more than 25 years' experience in manufacturing and industrial marketing.	Appointed 16 June 2006
Mr Geoff Heatley Deputy Chairman and Non-executive Director	Geoffrey Heatley was elected to the Jeminex Limited Board of Directors as Non-Executive Deputy Chairman in April 2005.  He is based in Canning Vale, Western Australia, and has more than 35 years' experience in the industrial consumables market.	Appointed 29 April 2005
Mr Greg Smith Non-executive Director	Greg Smith was appointed as a Non-Executive Director of Jeminex Limited in November 2008.  Greg has over 25 years of experience in the private equity industry with specific skills in assessing the viability of a business and building business relationships. Greg is actively involved in the peak industry body, The Australian Venture Capital Association (AVCAL) and was elected Chairman of that Association for the year 2002. Since joining AMP Capital Investors, Greg has invested in over 90 Private Equity investments.	Appointed 18 November 2008
Mr Mark Allison Executive Director and Chief Executive Officer	Mark Allison B Agr Sc, B Econ, GDM, FAICD was appointed Chief Executive Officer of Jeminex on 23 May 2007.	Resigned 31 March 2009

Jeminex Limited  
Directors' report  
For the year ended 31 December 2008

**Directors (continued)**

<b>Name, qualifications and independence status</b>	<b>Experience, special responsibilities and other directorships</b>	
Mr Peter Ludemann Non-executive Director	Peter Ludemann B Com LLB was appointed as a Non-Executive Director of Jeminex Limited in August 2006.	Resigned 18 November 2008
Mr Mark Luby Non-executive Director	Mark Luby was appointed as a Non-Executive Director to the Jeminex Board in November 2007.	Resigned 6 February 2009
Mr William (Liam) Forde Non-executive Director	Liam Forde has been appointed as a Non Executive Director to the Jeminex Board in May 2008.	Resigned 6 February 2009

**Principal activities**

The principal activities of the Group during the course of the financial year were the importation and distribution of a range of speciality industrial products with particular focus on the resources, infrastructure, construction and general engineering sectors in Australia. The Group operates through four divisions, Workwear and Personal Safety, Lifting Rigging and Height Safety, Industrial and Electrical and Drill and Blast.

There were no significant changes in the nature of the activities of the Company during the year apart from those outlined below.

**Review of operations**

The 2008 year was characterised by two distinct halves. The first half was a continuation of the strategy's to grow by acquisition that has been in place since inception, and four acquisitions with a total consideration of \$38,876 were concluded in this period; all designed to strengthen our core operating divisions. The second half was characterised by slowing trading activity as the impact of the global economic crisis began to be felt in the mining, resources and general economy.

The net loss of the consolidated entity after providing for income tax amounted to \$39,714 (2007: \$349). The loss after tax in 2009 was attributable to a goodwill impairment charge of \$34,578 recorded against the carrying value of certain cash generating business units. This was as a result of the substantial fall in asset values that were reflected in the stock market collapse in final quarter of 2008. As a result an impairment charge of \$34,578 has been made to the financial results of the Group.

Jeminex Limited  
 Directors' report  
 For the year ended 31 December 2008

**Review of operations (continued)**

On the assumption that subsidiaries were owned for a full 12 months, the sales for the 2008 were \$305,924, with operational trading EBITA of \$26,825 (before abnormal costs for preparation of listing/trade sale).

<b>Profit (loss) before financing costs</b>	(23,554)
Amortisation & Impairment	40,822
Abnormal costs	8,025
Normalised EBITA	25,293
Pre-acquisition EBITA	1,532
Normalised	
<b>Profit (loss) before financing costs</b>	<u>26,825</u>

Had the new banking arrangements been successfully negotiated prior to 31 December 2008, the net Working Capital position would be as follows:

	<b>Consolidated 2008 \$000 Audited</b>	<b>Consolidated 2008 \$000 Adjusted#</b>
<b>Current assets</b>		
Cash and cash equivalents	4,593	4,593
Trade and other receivables	48,929	48,929
Inventories	60,155	60,155
<b>Total current assets</b>	<u>113,677</u>	<u>113,677</u>
<b>Current liabilities</b>		
Trade and other payables	70,969	70,969
Interest-bearing loans and borrowings	150,763	2,847
Employee benefits	3,934	3,934
Current tax payable	2,617	2,617
Provisions	584	584
<b>Total current liabilities</b>	<u>228,867</u>	<u>80,951</u>
<b>Net Working Capital</b>	<u>(115,190)</u>	<u>32,726</u>

# Based on reclassification of loan note facility to non-current liabilities.

By the end of the year, it became apparent from the severe slowdown in the last quarter, the rapid decline in the Australian dollar and the looming breach of certain banking covenants, that a change in direction was required. On 31 December 2008, Mark Allison resigned and in January 2009 Kevin Clarke was appointed Executive Chairman. Head Office was substantially streamlined and the Company was organised into a small Head Office and five decentralised Business Units, and new funding and banking arrangements were negotiated with AMP Capital and the banking syndicate.

# Jeminex Limited

## Directors' report

**For the year ended 31 December 2008**

### **Company Secretary**

Mr Grant Robinson resigned as Company Secretary on 29 July 2008. Mr Dean Taylor was appointed as Company Secretary on 29 July 2008.

### **Directors' meetings**

The number of directors meetings and the number of meetings attended by each of the directors of the Company during the financial year were:

<b>Director</b>	<b>Board Meeting</b>	
	<b>A</b>	<b>B</b>
Mr K Clarke	18	19
Mr G Heatley	14	17
Mr M Allison	19	19
Mr P Ludemann	13	14
Mr M Luby	19	19
Mr W Forde	11	11
Mr G Smith	2	2

**A** – Number of meetings attended

**B** – Number of meetings held during the time the director held office during the year

### **Environmental regulations**

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

# Jeminex Limited

## Directors' report (continued)

### For the year ended 31 December 2008

#### Significant changes in state of affairs

Individual items that have significantly impacted the state of affairs of the Company during the year are noted below:

- The loss after tax in 2009 was attributable to a goodwill impairment charge of \$34,578 recorded against the carrying value of certain cash generating business units. This was as a result of the substantial fall in asset values that were reflected in the stock market collapse in final quarter of 2008. As a result an impairment charge of \$34,578 has been made to the financial results of the Group.
- The comparative amounts for the prior period (2007) and opening issued capital as at 1 January 2008 have been restated to correct the classification of the Company's and Group's preference shares in prior years. The redeemable preference shares were classified as equity but have now been restated as debt in accordance with the terms and conditions of the shares and AASB 132. The effect of the correction of this error in the prior year is to increase non-current liabilities by \$22,834, decrease issued capital by \$16,872, increase of accumulated losses by \$4,692 and increasing loss for the period by \$1,270.
- Additional provision for inventory obsolescence was made as a result of a detailed review of recent acquisitions, stock levels, business forecasts and the general economic outlook, resulting in an increase to \$7,486 (2007: \$3,732).
- On 18 March 2008, the consolidated entity acquired 100% of the voting rights of Energy Correction Options Pty Limited. Energy Correction Options is a leading distributor of earthing equipment, lightning protection, power quality solutions and provides design, installation and commissioning services for a broad range of energy correction and general electrical products.
- On 18 March 2008, the consolidated entity acquired 100% of the voting rights of Industrial Safety Apparel Solutions Pty Limited. Industrial Safety Apparel Solutions Pty Limited supplies fire protective clothing including overalls, shirts, bomber jackets, trousers and dust coats manufactured from a wide range of fire protective technical textiles that offer inherent flame resistance, improved wearer comfort and thermal transfer protection to the petro-chemical industry.
- On 19 March 2008, the consolidated entity acquired the business asset and liabilities of Centre Unit Trust trading as Midland Disposal Stores. Midland Disposal Stores sells a broad range of outdoor equipment, clothing and footwear through a network of six stores located throughout Western Australia.
- On 19 March 2008, the consolidated entity acquired the trading assets and liabilities of JLD Trading Trust trading as JLD Footwear. JLD Footwear is a wholesale company that holds the Australian and New Zealand franchise for producing "Mack" branded industrial footwear, shoe polish, socks, sunglasses, sneakers, safety glasses and leisure clothing.
- On 7 July 2008, the consolidated entity acquired 100% of the voting rights of Pacific Drilling and Blasting Pty Limited. Pacific Drilling and Blasting provides drilling and blasting services and blast reporting to the civil construction and quarry industries throughout southern Queensland and northern New South Wales.
- On 31 July 2008, the consolidated entity disposed of the Midland Disposal Stores business.
- The total consideration for the above acquisitions was \$38,876. The acquisitions were funded through a bank debt. At 31 December 2008, the consolidated entity had interest bearing debt of \$147,916 (2007: \$110,557).
- On 31 December 2008, Mark Allison resigned as CEO of the Group effective from 31 March 2009. The role of CEO was assumed by Mr Kevin Clarke who was appointed as Executive Chairman.
- As at 31 December 2008, the entity breached certain banking conditions and covenants in relation to its cash advance facility as a result of the downturn in financial performance. Negotiations between the entity, bankers and major shareholders, resulted in additional funding from AMP Life Limited and amendments and extension of the cash advance facility (refer note 23).

#### Dividends

No dividends were paid or declared by the Company to members since the end of the previous financial year (2007: \$nil).

Jeminex Limited  
Directors' report (continued)  
For the year ended 31 December 2008

**Events subsequent to reporting date**

Subsequent to year end and before the completion of these financial statements, the Company was able to renegotiate the terms and conditions of the cash advance facility to extend this clause and the facility to 31 December 2010 (refer to note 26). The Company was also able to obtain \$20 million of debt financing from AMP Life Limited, a significant shareholder. This allowed the Company to meet its short term working capital commitments. The Company was further able to renegotiate the terms of its deferred consideration for the acquisition of Addrill Pty Limited and other acquisitions. This included the deferral of payment to the occurrence of a liquidity event (defined as either an Initial Public Offering [IPO] or a trade sale) as well as the reclassification of these amounts as debt.

Had these events been completed prior to year end, the impact would have resulted in the cash advance facility and vendor deferred consideration being classified as long term debt, and a positive working capital position being maintained.

Further events subsequent to the reporting date include the following:

- On 4 February 2009, the Company renegotiated the terms of their deferred consideration commitment with the former vendors of Jeminex Lifting and Rigging. Such negotiations resulted in, from the effective date the consideration is due, the reclassification of these amounts as debt with interest payable on a monthly basis at the bank bill rate plus 4%. The repayment of these amounts has been deferred to the occurrence of a liquidity event (defined as either an Initial Public Offering [IPO] or a trade sale).
- On 6 February 2009, the Company received a waiver from the banking syndicate in relation to several covenant breaches at 31 December 2008. This was ratified with the new banking arrangements detailed below.
- On 10 February 2009, the Company renegotiated the terms of their deferred consideration commitment with the former vendors of Energy Correction Options. Such negotiations resulted in, from the effective date the consideration is due, the reclassification of these amounts as debt with interest payable on a monthly basis at the bank bill rate plus 4%. The repayment of these amounts has been deferred to the occurrence of a liquidity event (defined as either an Initial Public Offering [IPO] or a trade sale).
- On 19 February 2009, the Company renegotiated the terms of the majority of their deferred consideration commitment with the former vendors of Addrill Pty Ltd. Such negotiations resulted in the reclassification of these amounts as debt with interest payable on a monthly basis at the bank bill rate plus 4%. The repayment of these amounts has been deferred to the occurrence of a liquidity event (defined as either an Initial Public Offering [IPO] or a trade sale).
- On 23 February 2009, the Company entered into new banking arrangements under a syndicate facility with Westpac Banking Corporation, Bank of Scotland International and the Commonwealth Bank of Australia. This facility extends the term of the facility to 31 December 2010. The facility is subject to quarterly cash sweeps where cash balances are in excess of \$5.0 million. The loans bear interest at the BBSY rate plus 3.5% for the period to 31 December 2009, and at the BBSY rate plus a margin of a rate between 3.5% and 4.0% determined by the entities gearing ratio thereafter to 31 December 2010. Interest payments above the margin of 2.0% has a payment deferral to May 2010 and repayable over eight equal installments.
- On 23 February 2009 AMP Life Limited a significant shareholder entered into a subordinated loan agreement with the Company, whereby an additional \$20 million was made available to fund the day to day operations of the group. This loan is secured against the current and future assets of the Company, but does not take priority over the existing syndicate facility in place at 31 December 2008. This subordinate loan expires on the occurrence of a liquidity event (defined as either an Initial Public Offering [IPO] or a trade sale). Interest payments on the facility are deferred until the occurrence of a liquidity event.
- Subsequent to balance date management restructured the operating division of Industrial and Electrical as disclosed in the financial statements into 2 separate operating divisions to best suit the varying operating business units therein.
- Capital repayments have occurred to the vendors of Addrill Pty Limited and against the syndicate facility including a voluntary repayment ahead of the quarterly cash sweep.

Jeminex Limited  
Directors' report (continued)  
For the year ended 31 December 2008

**Events subsequent to reporting date (continued)**

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

**Likely developments**

Following the signing of the new banking arrangements with the banking syndicate and the injection of \$20.0m by AMP Life Limited which occurred on 23 February 2009, the financial position of Jeminex Limited has stabilised, and is reflected by the better than expected profit and cash generation performance to date.

The principle strategy for 2009 is focused on organic growth initiatives and internal optimisation and standardisation of systems. The resources sector, which accounts for one third of the groups activity, is currently experiencing a slow down, but this is offset by strong activity in infrastructure and electrical utilities sectors which also account for one third of activity. Consequently, the Group's 2009 forecast shows lower revenue and EBIT compared to 2008.

However, the Group's cash forecast is stronger as a result of improved working capital management with excess cash being utilised to reduce debt levels.

Further information about likely developments in the operations of the Consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the company.

**Share options**

For details of share options granted to directors and officers of the Company refer to note 28.

**Indemnification and insurance of officers and auditors**

**Indemnification**

The Company has agreed to indemnify directors of the Consolidated entity against all liabilities to another person (other than the Company or a related body corporate) that may arise from the position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith.

**Lead auditor's independence declaration**

The lead auditor's independence is set out on page 75 and forms part of the Directors' report for the financial year ended 31 December 2008.

**Rounding off**

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, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors:



Kevin Clarke  
Chairman

Dated at Sydney this 5<sup>th</sup> day of May 2009.

Jeminex Limited  
Income statements  
For the year ended 31 December  
2008

	Note	Consolidated		Company	
		12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000 Restated*	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000 Restated*
<b>Continuing operations</b>					
Revenue	6	291,967	111,416	-	-
Cost of sales		(176,729)	(71,844)	-	-
<b>Gross profit</b>		115,238	39,572	-	-
Other income	7	2,094	1,618	-	-
Distribution expenses		(5,256)	(1,020)	-	-
Marketing expenses		(1,453)	(1,859)	(27)	(1,267)
Occupancy expenses		(8,726)	(2,977)	(122)	(121)
Personnel expenses	9	(47,962)	(17,185)	(2,181)	(1,346)
Selling and administrative expenses		(30,069)	(7,518)	(8,286)	(937)
Amortisation and impairment of intangible assets	10	(40,820)	(2,268)	(13)	(6)
Other expenses	8	(6,600)	(1,813)	(22,624)	(165)
<b>Profit (loss) before financing costs</b>		(23,554)	6,550	(33,253)	(3,842)
Financial income	12	1,041	149	884	126
Financial expenses	12	(16,280)	(5,029)	(3,720)	(1,560)
<b>Net financing costs</b>		(15,239)	(4,880)	(2,836)	(1,434)
<b>Profit (loss) before income tax</b>		(38,793)	1,670	(36,089)	(5,276)
Income tax (expense) benefit	13	(921)	(2,019)	3,565	2,191
<b>Profit (loss) from continuing operations</b>		(39,714)	(349)	(32,524)	(3,085)
<b>Discontinued operation</b>					
Loss of discontinued operation net of income tax	17	-	-	-	-
<b>Profit (loss) for the period</b>		(39,714)	(349)	(32,524)	(3,085)

\* Refer to Note 34 for further details

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 14 to 73.

Jeminex Limited  
 Statements of changes in equity  
 For the year ended 31 December 2008

Consolidated	Issued capital \$000	(Accumulated losses) \$000	Translation Reserve \$000	Hedge reserve \$000	Total equity \$000
Opening balance at 1 July 2007 as reported previously	68,542	(2,370)	(6)	609	66,775
Reclassification of preference shares (note 34)	(16,872)	(4,692)	-	-	(21,564)
Opening balance at 1 July 2007	51,670	(7,062)	(6)	609	45,211
Interest derivative gains taken to equity	-	-	-	512	512
Share options exercised	200	-	-	-	200
Ordinary shares issued – acquisition	2,374	-	-	-	2,374
Ordinary shares issued – cash	1,000	-	-	-	1,000
Equity settled transactions net of tax	-	683	-	-	683
Total non-profit items recognised directly in equity	3,574	683	-	512	4,769
Net loss for the period	-	(349)	-	-	(349)
Closing balance at 1 December 2007	55,244	(6,728)	(6)	1,121	49,631
Opening balance at 1 January 2008	55,244	(6,728)	(6)	1,121	49,631
Interest derivative losses taken to equity	-	-	-	(4,765)	(4,765)
Share options exercised	200	-	-	-	200
Ordinary shares issued – acquisition	943	-	-	-	943
Foreign exchange translation differences	-	-	(17)	-	(17)
Equity settled transactions net of tax	-	311	-	-	311
Total non-profit items recognised directly in equity	1,143	311	(17)	(4,765)	(3,328)
Net loss for the period	-	(39,714)	-	-	(39,714)
Closing balance at 31 December 2008	56,387	(46,131)	(23)	(3,644)	6,589

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 14 to 73.

Jeminex Limited  
 Statements of changes in equity (continued)  
 For the year ended 31 December 2008

Company	Issued capital \$000	(Accumulated losses) \$000	Hedge reserve \$000	Total equity \$000
Opening balance at 1 July 2007 as reported previously	68,542	(6,593)	609	62,588
Reclassification of preference shares (note 34)	(16,872)	(4,692)	-	(21,564)
Opening balance at 1 July 2007	51,670	(11,285)	609	40,994
Interest derivative gains taken to equity	-	-	512	512
Share options exercised	200	-	-	200
Ordinary shares issued – cash	1,000	-	-	1,000
Ordinary shares issued – acquisition	2,374	-	-	2,374
Equity settled transactions net of tax	-	684	-	684
Total non-profit items recognised directly in equity	3,574	684	512	4,770
Net loss for the period	-	(3,085)	-	(3,085)
Closing balance at 31 December 2007	55,244	(13,686)	1,121	42,679
Opening balance at 1 January 2008	55,244	(13,686)	1,121	42,679
Interest derivative losses taken to equity	-	-	(4,457)	(4,457)
Share options exercised	200	-	-	200
Prior period adjustment	-	(1,010)	-	(1,010)
Ordinary shares issued – acquisition	943	-	-	943
Equity settled transactions net of tax	-	(56)	-	(56)
Total non-profit items recognised directly in equity	1,143	(1,066)	(4,457)	(4,380)
Net loss for the period	-	(32,524)	-	(32,524)
Closing balance at 31 December 2008	56,387	(47,276)	(3,336)	5,775

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 14 to 73.

Jeminex Limited  
Balance sheets  
As at 31 December 2008

	Note	Consolidated		Company	
		2008 \$000	2007 \$000 Restated *	2008 \$000	2007 \$000 Restated*
<b>Assets</b>					
Cash and cash equivalents	14	4,593	27,600	33	22,360
Trade and other receivables	15	48,929	44,132	107,251	82,283
Inventories	16	60,155	47,215	-	-
Current tax assets		-	-	-	2,740
<b>Total current assets</b>		<b>113,677</b>	<b>118,947</b>	<b>107,284</b>	<b>107,383</b>
Trade and other receivables	15	260	755	19	753
Investments	18	-	90	97,499	103,709
Deferred tax assets		8,745	1,780	4,490	165
Property, plant and equipment	20	27,115	23,973	739	716
Intangible assets	21	115,298	126,176	23	-
<b>Total non-current assets</b>		<b>151,418</b>	<b>152,774</b>	<b>102,770</b>	<b>105,343</b>
<b>Total assets</b>		<b>265,095</b>	<b>271,721</b>	<b>210,054</b>	<b>212,726</b>
<b>Liabilities</b>					
Trade and other payables	22	70,969	80,467	174,942	148,724
Interest-bearing loans and borrowings	23	150,763	5,104	527	-
Employee benefits	24	3,934	2,147	449	235
Current tax payable		2,617	992	2,617	-
Provisions	25	584	68	-	-
<b>Total current liabilities</b>		<b>228,867</b>	<b>88,778</b>	<b>178,535</b>	<b>148,959</b>
Trade and other payables	22	1,096	-	1,096	-
Interest-bearing loans and borrowings	23	27,246	131,797	24,310	20,968
Employee benefits	24	802	1,136	276	107
Provisions	25	495	379	62	13
<b>Total non-current liabilities</b>		<b>29,639</b>	<b>133,312</b>	<b>25,744</b>	<b>21,088</b>
<b>Total liabilities</b>		<b>258,506</b>	<b>222,090</b>	<b>204,279</b>	<b>170,047</b>
<b>Net assets</b>		<b>6,589</b>	<b>49,631</b>	<b>5,775</b>	<b>42,679</b>
<b>Equity</b>					
Issued capital	26	56,387	55,244	56,387	55,244
Reserves		(3,667)	1,115	(3,336)	1,121
Accumulated losses		(46,131)	(6,728)	(47,276)	(13,686)
<b>Total equity</b>		<b>6,589</b>	<b>49,631</b>	<b>5,775</b>	<b>42,679</b>

\*Refer to note 34 for further details

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 14 to 73.

Jeminex Limited  
 Statements of cash flows  
 For the year ended 31 December 2008

	<i>Note</i>	Consolidated		Company	
		12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000
<b>Cash flows from operating activities</b>					
Cash receipts from customers		326,271	118,108	-	-
Cash paid to suppliers and employees		(301,530)	(107,830)	(11,489)	(3,508)
Cash generated from (used in) operations		24,741	10,278	(11,489)	(3,508)
Interest paid		(13,642)	(3,014)	(115)	(1,279)
Interest received		1,041	149	884	126
Income taxes (paid) refunded		(3,724)	(1,474)	(2,464)	(1,474)
<b>Net cash from (used in) operating activities</b>	33	8,416	5,939	(13,184)	(6,135)
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant and equipment		792	317	27	-
Acquisition of subsidiaries, net of cash acquired	32	(28,804)	(1,432)	(10,476)	-
Disposal of subsidiaries		629	-	629	-
Acquisition of property, plant and equipment		(3,714)	(3,293)	(290)	(285)
Acquisition of subsidiaries from prior period		(35,825)	(25,362)	(1,135)	(9,853)
Proceeds from payments for intercompany transactions		-	-	(35,118)	(5,012)
<b>Net cash used in investing activities</b>		(66,922)	(29,770)	(46,363)	(15,150)
<b>Cash flows from financing activities</b>					
Proceeds from the issue of share capital		200	1,200	200	1,200
Proceeds from borrowings		41,758	122,516	41,758	122,516
Repayment of borrowings		(4,638)	(76,509)	(4,638)	(76,509)
Capital component of finance leases		(1,028)	(349)	(68)	-
Borrowing costs		(496)	(825)	(496)	(825)
<b>Net cash provided by financing activities</b>		35,796	46,032	36,756	46,381
Net increase (decrease) in cash and cash equivalents		(22,745)	22,201	(22,791)	25,096
Cash and cash equivalents at 1 January		25,650	3,449	22,360	(2,736)
<b>Cash and cash equivalents at 31 December</b>	14	2,940	25,650	(431)	22,360

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 14 to 73.

# Jeminex Limited

## Notes to the Financial Statements

### For the year ended 31 December 2008

#### 1 Reporting Entity

Jeminex Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 6, 21 Berry Street, North Sydney, NSW, 2060. The consolidated financial statements of the Company as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). Jeminex Limited is the ultimate parent entity and is registered in Australia.

The Company primarily is involved in the distributing of a range of industrial supplies with particular focus on the resources, mining, construction and general engineering sectors in Australia. The Group operates through four divisions, Workwear and Personal Safety, Lifting, Rigging and Height Safety, Industrial and Electrical and Drill and Blast.

#### 2 Basis of Preparation

##### (a) 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). The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB). The group has opted to early adopt AASB 8 "*Operating Segments*".

The financial statements were approved by the Board of Directors on 30 April 2009.

##### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value

The methods used to measure fair values are discussed further in note 4.

##### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

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.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**2 Basis of Preparation (continued)**

**(d) Use of estimates and judgements**

The preparation of financial statements 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 estimate is 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:

- note 21 - measurement of the recoverable amounts of cash-generating units containing goodwill
- note 27 - valuation of financial instruments
- note 28 - measurement of share-based payments
- note 31 - business combinations

**(e) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

As at 31 December 2008, the Group and Company are in a working capital deficit position of \$115,190 and \$71,251 respectively, net assets of \$6,589 and \$5,773 respectively, operating cash flows of \$8,416 and (\$24,467) respectively and, net losses after tax of \$39,714 and \$32,524.

This deficit in working capital is due to the classification of the cash advance facility (refer to note 26) as a current liability because the Company's agreement with its bankers in regards to the cash advance facility contained a clause that allowed the bankers to call the debt they have provided to the Group by 31 March 2009, if the Company is either not sold or not listed on a securities exchange by 31 December 2008. In addition, at 31 December 2008, the entity breached certain banking conditions and covenants in relation to its cash advance facility as a result of the downturn in financial performance.

Subsequent to year end and before the completion of these financial statements, the Company was able to renegotiate the terms and conditions of the cash advance facility to extend this clause and the facility to 31 December 2010 (refer to note 26). The Company was also able to obtain \$20 million of debt financing from AMP Life Limited, a significant shareholder. This allowed the Company to meet its short term working capital commitments. The Company was further able to renegotiate the terms of its deferred consideration for the acquisition of Addrill Pty Limited and other acquisitions. This included the deferral of payment to the occurrence of a liquidity event (defined as either an Initial Public Offering [IPO] or a trade sale) as well as the reclassification of these amounts as debt.

Management have also prepared detailed cash flow forecasting for a period of at least 12 months subsequent to the date of signing these financial statements to further support the going concern assumption.

Based on the above factors the directors have prepared the financial report on a going concern basis.

Had the going concern basis not been used, adjustment would need to be made relating to the recoverability and classification of recorded assets amounts, and/or to the amounts and classifications of liabilities, to reflect the fact that the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of the business, and at amounts different from those stated in the financial report.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**3 Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in the financial statements, and have been consistently by the Group.

**(a) Basis of consolidation**

*(i) Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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

*(ii) Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**(b) Foreign currency**

*(i) Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

*(ii) Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity. Since 1 January 2004, the Group's date of transition to AASBs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

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.

**(c) Financial instruments**

*(i) Non-derivative financial instruments*

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**3 Significant Accounting Policies (continued)**

**(c) Financial instruments (continued)**

*(i) Non-derivative financial instruments (continued)*

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(n).

*Financial assets at fair value through profit or loss*

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

*Other*

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

*(ii) Derivative financial instruments*

The Company holds derivative financial instruments to hedge its interest rate and foreign currency exposure. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for.

*Cash flow hedges*

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**3 Significant Accounting Policies (continued)**

**(c) Financial instruments (continued)**

*(iii) Share capital*

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

*Preference share capital*

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

*Repurchase of share capital (treasury shares)*

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity, net of any tax effects. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

**(d) Property, plant and equipment**

*(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. 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.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in profit or loss as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**3 Significant Accounting Policies (continued)**

**(d) Property, plant and equipment (continued)**

*(ii) Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

*(iii) Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• leasehold improvements	5-40 years
• plant and equipment	1-16 years
• motor vehicles	4-5 years
• office equipment	5-40 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

**(e) Intangible assets**

*(i) Goodwill*

Goodwill (negative goodwill) arises on the acquisition of subsidiaries.

*Acquisitions*

For acquisitions 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 acquire. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

*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) Other intangible assets*

Other intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

*(iii) Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**3 Significant Accounting Policies (continued)**

**(e) Intangible assets (continued)**

*(iv) Amortisation*

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

• catalogues	2 years
• customer contracts	2-10 years
• customer relationships	3-10 years
• membership of Buying Group	10 years
• non-competition agreement	5 years
• patents	10 years
• supplier agreements	10 years
• trade names	indefinite lives
• website	2 years

**(f) Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

**(g) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. The cost of inventory may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventory.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(h) Impairment**

*(i) 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. An impairment loss in respect of an available-for-sale financial asset is calculated with reference to its fair value.

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

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**3 Significant Accounting Policies (continued)**

**(h) Impairment (continued)**

*(i) Financial assets (continued)*

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.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets recognised at amortised cost, the reversal is recognised in profit or loss.

*(ii) Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories and 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 each reporting date at the same time.

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 in respect of goodwill is not reversed. An impairment loss is recognised if the carrying amount of an asset or its 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.

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 have been determined, net of depreciation, if no impairment loss had been recognised.

**(i) Non-current assets held for sale**

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**3 Significant Accounting Policies (continued)**

**(j) Employee benefits**

*(i) 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 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.

*(ii) Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations.

*(iii) Termination benefits*

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

*(iv) Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*(v) Share-based payment transactions*

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. 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.

When the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**3 Significant Accounting Policies (continued)**

**(k) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

*Warranties*

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

*Make good provision*

A provision for make good is recognised when there exists obligations existing to restore leased premises to their original condition at the end of the lease term. Make good costs are recognised as part of the cost of assets and as a provision at the time of the obligating event.

**(l) Revenue**

*(i) Goods sold*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

*(ii) Services*

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

**(m) Lease payment**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**3 Significant Accounting Policies (continued)**

**(n) Finance income and expense**

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, changes in the 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. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

**(o) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**3 Significant Accounting Policies (continued)**

**(o) Income tax (continued)**

**Tax consolidation**

*(i) Tax consolidation*

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 29 April 2005. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Jeminex Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/ (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

*(ii) Nature of tax funding arrangements and tax sharing arrangements*

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/ from the head entity equal to the current tax liability/ (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/ (payable) equal in amount to the tax liability/ (asset) assumed. The inter-entity receivable/ (payable) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**3 Significant Accounting Policies (continued)**

**(p) Goods and service tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(q) Discontinued operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

**(r) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office 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.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**3 Significant Accounting Policies (continued)**

**(s) New standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2008, but have not been applied in preparing this financial report:

\* Revised AASB 3 *Business Combinations* changes the application of an acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

\* Revised AASB 101 *Presentation of Financial Statements* (September 2007) introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 31 December 2009 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

\* Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 31 December 2009 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

\* Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

\* AASB 2008-1 *AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

\* AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

\* AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

\* AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the accounting for the cost of an investment under AASB 127. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**4 Determination of fair values**

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 values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**(a) Property, plant and equipment**

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. 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, equipment, fixtures and fittings is based on the quoted market prices for similar items.

**(b) Intangible assets**

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

**(c) Inventories**

The fair value of inventories 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 inventories.

**(d) Trade and other receivables**

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at 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, the 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.

**(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.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**4 Determination of fair values (continued)**

**(g) Share-based payment transactions**

The fair value of employee stock options is measured using a binomial lattice model. The fair value of share appreciation rights is measured using the Cox Ross Rubenstein formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

**5 Financial Risk Management**

**Overview**

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Company's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Group.

**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 investment securities. For the Company it arises from receivables due from subsidiaries.

**Trade and other receivables**

The Company's and 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, has less of an influence on credit risk.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**5 Financial Risk Management (continued)**

**Trade and other receivables (continued)**

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Board; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Group does not require collateral in respect of trade and other receivables.

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

**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.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group has a Working Capital facility to ensure it is able to meet its obligations as they fall due. In addition, the Group maintains the following lines of credit:

- \$9 million working capital / trade finance and a \$6 million asset finance facility. Interest is payable at the rate of the Bank Bill Overdraft Rate ("BBOR") plus a margin of between 0.25% and 1.25% depending on the gearing ratio for the last 12 months for the period to 31 December 2008.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group enters into derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Jeminex Limited  
Notes to the Financial Statements (continued)  
For the year ended 31 December 2008

**5 Financial Risk Management (continued)**

**Currency risk**

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities, which is primarily the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are, USD and EURO.

The Group hedges its estimated foreign currency exposure in respect of purchases over the following twelve months.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

**Interest rate risk**

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps.

**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 the return on capital, which the Company defines as net operating income divided by total shareholders' equity.

There were no changes in the Group's approach to capital management during the year.

The Group is subject to certain conditions in relation to the cash advance facility. The Group must maintain shareholder funds of greater than \$65.0m and be 85% of the shareholders fund twelve months prior to the date of review. In addition no dividends are allowed to be paid while any earn-out agreement is in place.

As at 31 December 2008, shareholders funds were less than \$65.0m as a result of goodwill impairment charges for the period and reclassification of preference shares to borrowings. Subsequent to 31 December 2008, the cash advance facility has been re-negotiated with the bankers, with this condition removed (refer note 21).

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

6. Revenue

Note	Consolidated		Company	
	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000
<b>Continuing operations</b>				
	Sale of goods	267,253	105,508	-
	Services	24,714	5,908	-
		<b>291,967</b>	<b>111,416</b>	<b>-</b>

7. Other income

	Consolidated		Company	
	2008 \$'000	2007 \$000	2008 \$000	2007 \$000
	Foreign exchange gains	149	1,310	-
	Sundry items	1,945	308	-
		<b>2,094</b>	<b>1,618</b>	<b>-</b>

8. Other expenses

Note	Consolidated		Company	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
20	Depreciation	4,623	1,813	448
	Loss on sale of property, plant and equipment	174	-	53
	Impairment of assets	-	-	21,506
	Sundry	1,803	-	617
		<b>6,600</b>	<b>1,813</b>	<b>22,624</b>
				<b>165</b>

9. Personnel expenses

Note	Consolidated		Company	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
	Wages and salaries	41,979	14,744	1,948
	Contributions to defined contribution superannuation funds	3,693	1,305	158
	Increase in liability for annual leave	1,591	469	118
	Increase/ (Decrease) in liability for long service leave	388	(17)	13
28	Equity-settled share-based payment transactions	311	684	(56)
		<b>47,962</b>	<b>17,185</b>	<b>2,181</b>
				<b>1,346</b>

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

10. Amortisation and impairment of intangible assets

Note	Consolidated		Company	
	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000
Impairment of goodwill	28,657	-	-	-
Amortisation of formation costs	13	7	13	6
Amortisation of intangible assets	12,150	2,261	-	-
21	40,820	2,268	13	6

11. Auditor's remuneration

In AUD

**Audit services**

Auditors of the Company

*KPMG Australia:*

Audit and review of financial reports

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Audit and review of financial reports	1,175,000	400,000	266,000	65,000
	1,175,000	400,000	266,000	65,000

**Other services**

Auditors of the Company

*KPMG Australia*

Taxation services

KPMG related practices

Due diligence services

Taxation services	262,000	50,000	260,439	-
Due diligence services	2,236,445	89,631	2,236,445	-
	2,498,445	139,631	2,496,884	-

12. Net financing costs

	Consolidated		Company	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Interest income on bank deposits	327	149	170	126
Interest income on derivatives	714	-	714	-
Financial income	1,041	149	884	126
Interest expense	(15,407)	(4,748)	(2,847)	(1,279)
Amortisation of deferred borrowing costs	(873)	(281)	(873)	(281)
Financial expenses	(16,280)	(5,029)	(3,720)	(1,560)
Net financing costs	(15,239)	(4,880)	(2,836)	(1,434)

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

13. Income tax expense

Recognised in the income statement

	<i>Note</i>	Consolidated		Company	
		12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000
<b>Current tax expense</b>					
Current year		4,717	3,833	(1,507)	-
Adjustments for prior years		-	(316)	-	-
		4,717	3,517	(1,507)	-
<b>Deferred tax expense</b>					
Origination and reversal of temporary differences		(3,796)	440	(2,058)	(261)
Adjustments for prior years		-	-	-	8
Benefit of tax losses recognised		-	(1,938)	-	(1,938)
		(3,796)	(1,498)	(2,058)	(2,191)
Total income tax expense in income statement		921	2,019	(3,565)	(2,191)
Attributable to:					
Continuing operations		921	2,019	(3,565)	(2,191)
Discontinued operations	17	-	-	-	-
		921	2,019	(3,565)	(2,191)

Numerical reconciliation between tax expense and pre-tax net profit

	Consolidated		Company	
	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000
Profit (loss) before tax – continuing operations	(38,793)	1,670	(36,089)	(5,276)
Income tax using the domestic corporation tax rate of 30% (2007: 30%)	(11,638)	501	(10,827)	(1,583)
Increase in income tax expense due to:				
Non-deductible expenses	13,112	1,181	7,269	(629)
	1,474	1,682	(3,558)	(2,212)
Over provided in prior years	(553)	337	(7)	21
Income tax expense (credit) on pre-tax net (loss) profit	921	2,019	(3,565)	(2,191)

Deferred tax recognised directly in equity

	Consolidated		Company	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Relating to interest derivative hedge reserve	2,098	169	2,098	169
	2,098	169	2,098	169

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**14. Cash and cash equivalents**

	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash on hand		26	774	-	-
Bank balances		4,494	23,566	-	19,144
Call deposits		73	3,260	33	3,216
Cash and cash equivalents		4,593	27,600	33	22,360
Bank overdrafts repayable on demand	23	(1,653)	(1,950)	(464)	-
Cash and cash equivalents in the statements of cash flows		2,940	25,650	(431)	22,360

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 27.

**15. Trade and other receivables**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Current</b>				
Trade receivables	45,061	42,112	-	-
Allowance for impairment loss	(708)	(337)	-	-
Derivatives used for hedging	577	540	-	540
Other receivables	3,999	1,817	1,767	79
Receivables due from controlled entities	-	-	105,484	81,664
	48,929	44,132	107,251	82,283
<b>Non-current</b>				
Derivatives used for hedging	-	723	-	723
Other	260	32	19	30
	260	755	19	753

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 27.

**16. Inventories**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Raw materials and consumables	4,052	1,530	-	-
Work in progress	176	14	-	-
Finished goods	63,413	49,403	-	-
Provision for obsolescence	(7,486)	(3,732)	-	-
	60,155	47,215	-	-

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**17 Discontinued operations**

On 31 July 2008 the Group sold the Midland Disposal Stores business, a trading division of JLD Footwear which was acquired on 19 March 2008. Midland Disposal Stores was classified as held for sale on acquisition. Management committed to a plan to sell the trading division prior to acquisition to focus on the key competencies arising from the acquisition of JLD footwear, being the import and distribution of footwear.

**18. Investments**

	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008 \$000</b>	<b>2007 \$000</b>	<b>2008 \$000</b>	<b>2007 \$000</b>
<b>Non-current</b>					
Investments in controlled entities - at cost	31	-	-	97,499	103,699
Other investments		-	90	-	10
		-	90	97,499	103,709

Other investments include legal and financial due diligence costs incurred in investigating potential acquisition targets. These amounts are carried forward and either capitalised into the acquisition cost of a successful acquisition or expensed in the case of an unsuccessful acquisition.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 27.

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**19. Deferred tax assets and liabilities**

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

<b>Consolidated</b>	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2008 \$000</b>	<b>2007 \$000</b>	<b>2008 \$000</b>	<b>2007 \$000</b>	<b>2008 \$000</b>	<b>2007 \$000</b>
Cash, Prepayments & Receivables	959	-	(196)	-	763	-
Property, plant and equipment	4	-	(63)	-	(59)	-
Trade debtors	120	55	-	-	120	55
Inventories	1,702	283	(212)	-	1,490	283
Provisions	-	44	-	-	-	44
Employee benefits	1,493	1,008	-	-	1,493	1,008
Interest derivative hedge reserve	2,113	-	(15)	(169)	2,098	(169)
Other	-	586	(92)	(27)	(92)	559
Sundry creditors, accruals & provisions	2,932	-	-	-	2,932	-
Tax (assets) liabilities	9,323	1,976	(578)	(196)	8,745	1,780
Set off tax	(578)	(196)	578	196	-	-
Net tax (assets) liabilities	8,745	1,780	-	-	8,745	1,780

**Company**

	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2008 \$000</b>	<b>2007 \$000</b>	<b>2008 \$000</b>	<b>2007 \$000</b>	<b>2008 \$000</b>	<b>2007 \$000</b>
Employee benefits	218	102	-	-	218	102
Interest derivative hedge reserve	2,113	-	(15)	(169)	2,098	(169)
Sundry creditors, accruals & provisions	2,018	-	-	-	2,018	-
Other	158	232	(2)	-	156	232
Tax (assets) liabilities	4,507	334	(17)	(169)	4,490	165
Set off tax	-	(169)	-	169	-	-
Net tax (assets) liabilities	4,507	165	(17)	-	4,490	165

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

19. Deferred tax assets and liabilities (continued)  
Movement in temporary differences during the year

	Balance 1 July 2007 \$000	Acquired balances \$000	Consolidated Recognised in profit or loss \$000	Recognised in equity \$000	Balance 31 December 07 \$000	Balance 1 July 2007 \$000	Company Recognised in profit or loss \$000	Recognised in equity \$000	Balance 31 December 07 \$000
Prepayments	(14)	-	14	-	-	-	-	-	-
Property, plant and equipment	549	-	(549)	-	-	-	-	-	-
Trade debtors	71	-	(16)	-	55	-	-	-	-
Business combinations	(120)	-	120	-	-	-	-	-	-
Inventories	416	-	(133)	-	283	-	-	-	-
Provisions	177	-	(133)	-	44	-	-	-	-
Employee benefits	852	112	44	-	1,008	7	102	-	109
Interest derivative hedge reserve	(133)	-	-	(36)	(169)	(133)	-	(36)	(169)
Trade and other payables	342	4	213	-	559	75	150	-	225
	2,140	116	(440)	(36)	1,780	(51)	252	(36)	165

	Balance 1 January 2008 \$000	Acquired balances \$000	Recognised in profit or loss \$000	Recognised in equity \$000	Balance 31 December 08 \$000	Balance 1 January 2008 \$000	Recognised in profit or loss \$000	Recognised in equity \$000	Balance 31 December 08 \$000
Cash, Prepayments & Receivables	-	8	755	-	763	-	-	-	-
Property, plant and equipment	-	-	(59)	-	(59)	-	-	-	-
Trade debtors	55	-	65	-	120	-	-	-	-
Inventories	283	(19)	1,226	-	1,490	-	-	-	-
Provisions	44	-	(44)	-	-	-	-	-	-
Employee benefits	1,008	98	387	-	1,493	102	116	-	218
Interest derivative hedge reserve	(169)	-	-	2,267	2,098	(169)	-	2,267	2,098
Trade and other payables	559	-	(651)	-	(92)	232	(76)	-	156
Sundry creditors and accruals	-	59	2,873	-	2,932	-	2,018	-	2,018
	1,780	146	4,552	2,267	8,745	165	2,058	2,267	4,490

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

20. Property, Plant and equipment

	Consolidated					Company			
	Leasehold Improvements \$000	Plant and equipment \$000	Office equipment \$000	Motor vehicles \$000	Total \$000	Leasehold Improvements \$000	Office equipment \$000	Motor vehicles \$000	Total \$000
<b>Cost</b>									
Balance at 1 July 2007	1,262	11,889	3,526	5,993	22,670	-	812	49	861
Acquisitions through business combinations	404	7,004	11	573	7,992	-	-	-	-
Other acquisitions	77	2,142	571	1,076	3,866	-	351	-	351
Disposals	-	(176)	(11)	(868)	(1,055)	-	-	(49)	(49)
Reclassification	22	430	(69)	(383)	-	-	-	-	-
Balance at 31 December 2007	1,765	21,289	4,028	6,391	33,473	-	1,163	-	1,163
Balance at 1 January 2008	1,765	21,289	4,028	6,391	33,473	-	1,163	-	1,163
Acquisitions through business combinations	90	2,166	104	1,033	3,393	-	-	-	-
Other acquisitions	463	2,010	1,217	2,055	5,745	46	389	36	471
Disposals	(1)	(518)	(15)	(1,688)	(2,222)	-	-	(90)	(90)
Reclassification	216	(1,298)	325	737	(20)	324	(324)	90	90
Balance at 31 December 2008	2,533	23,649	5,659	8,528	40,369	370	1,228	35	1,634

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

20. Property, plant and equipment (continued)

	Consolidated					Company			
	Leasehold Improvements \$000	Plant and equipment \$000	Office equipment \$000	Motor vehicles \$000	Total \$000	Leasehold Improvements \$000	Office equipment \$000	Motor vehicles \$000	Total \$000
<b>Depreciation and impairment losses</b>									
Balance at 1 July 2007	410	3,766	1,817	2,325	8,318	-	282	9	291
Depreciation charge for the year	74	783	331	475	1,663	-	165	-	165
Disposals	-	(62)	(7)	(412)	(481)	-	-	(9)	(9)
Reclassification	-	154	288	(442)	-	-	-	-	-
Balance at 31 December 2007	484	4,641	2,429	1,946	9,500	-	447	-	447
Balance at 1 January 2008	484	4,641	2,429	1,946	9,500	-	447	-	447
Depreciation charge for the year	292	1,869	1,018	1,444	4,623	81	366	1	448
Disposals	-	(80)	(8)	(767)	(855)	-	-	(10)	(10)
Reclassification	20	(273)	225	14	(14)	23	(23)	10	10
Balance at 31 December 2008	796	6,157	3,664	2,637	13,254	104	790	1	895
<b>Carrying amounts</b>									
At 1 July 2007	852	8,123	1,709	3,668	14,352	-	530	40	570
At 31 December 2007	1,281	16,648	1,599	4,445	23,973	-	716	-	716
At 1 January 2008	1,281	16,648	1,599	4,445	23,973	-	716	-	716
At 31 December 2008	1,737	17,492	1,995	5,891	27,115	266	438	36	739

Jeminex Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2008

**20. Property, plant and equipment (continued)**

**Leased plant and machinery**

The consolidated entity leases certain equipment and vehicles under finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment. At 31 December 2008, the net carrying amount of leased plant and machinery was \$4,337 (2007: \$2,770). The leased equipment secures lease obligations (see note 20).

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

21. Intangible assets  
Consolidated

	Goodwill \$000	Catalogues \$000	Customer Contracts \$000	Customer relationships \$000	Buying Group \$000	Non-competition agreements \$000	Patents \$000	Supply agreements \$000	Trade names \$000	Websites \$000	Total \$000
<b>Cost</b>											
Balance at 1 July 2007	46,519	329	2,842	22,646	2,004	3,548	76	234	5,668	96	83,962
Acquisitions through business combinations	38,971	-	-	9,160	-	1,099	-	-	4,327	-	53,557
Fair value adjustment on prior year acquisitions	1,394	-	-	-	-	-	-	-	-	-	1,394
Balance at 31 December 2007	86,884	329	2,842	31,806	2,004	4,647	76	234	9,995	96	138,913
Balance at 1 January 2008	86,884	329	2,842	31,806	2,004	4,647	76	234	9,995	96	138,913
Acquisitions through business combinations	21,526	-	-	2,186	-	343	-	218	4,195	-	28,468
Fair value adjustment on prior year acquisitions	(26)	-	-	-	-	-	-	-	1,497	-	1,471
Balance at 31 December 2008	108,384	329	2,842	33,992	2,004	4,990	76	452	15,687	96	168,852

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

21. Intangible assets (continued)  
Consolidated

	Goodwill \$000	Catalogues \$000	Customer Contracts \$000	Customer relationships \$000	Buying Group \$000	Non- competition agreements \$000	Patents \$000	Supply agreements \$000	Trade names \$000	Websites \$000	Total \$000
Balance at 1 July 2007	5,022	309	383	3,184	450	993	13	39	-	83	10,476
Amortisation for the year	-	10	371	1,379	100	378	4	12	-	7	2,261
Balance at 31 December 2007	5,022	319	754	4,563	550	1,371	17	51	-	90	12,737
Balance at 1 January 2008	5,022	319	754	4,563	550	1,371	17	51	-	90	12,737
Amortisation for the year	-	10	743	4,148	200	905	8	58	171	6	6,239
Impairment charge	28,657	-	-	5,921	-	-	-	-	-	-	34,578
Balance at 31 December 2008	33,679	329	1,497	14,632	750	2,276	25	109	171	96	53,564
<b>Carrying amounts</b>											
At 1 July 2007	41,497	20	2,459	19,462	1,554	2,555	63	195	5,668	13	73,486
At 31 December 2007	81,862	10	2,088	27,243	1,454	3,276	59	183	9,995	6	126,176
At 1 January 2008	81,862	10	2,088	27,243	1,454	3,276	59	183	9,995	6	126,176
At 31 December 2008	74,705	-	1,345	19,370	1,254	2,714	51	343	15,516	-	115,298

**Company**

The Company has recognised \$23,000 in trademark intangibles during the year ended 31 December 2008.

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**21. Intangible assets (continued)**  
**Amortisation and impairment charge**

The amortisation and impairment charge is recognised in the following line items in the income statement:

	Consolidated		Company	
	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000
Amortisation and impairment of intangible assets	40,820	2,268	13	6
	40,820	2,268	13	6

**Impairment tests for goodwill**

For the purposes of impairment testing, goodwill is allocated to the Group's divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. Each division comprises of business units which perform specialised supply and distribution functions providing synergies for the division.

The aggregate carrying amounts of goodwill allocated to each division are as follows:

	Consolidated		Company	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Workwear and personal safety	7,710	16,556	-	-
Lifting, rigging and height safety	12,015	12,964	-	-
Industrial & Electrical	33,691	32,224	-	-
Drill and blast	21,289	20,118	-	-
	74,705	81,862	-	-

The recoverable amount of goodwill is based on value in use calculations. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results of each division in the five-year business plan.
- The anticipated annual growth included in the cash flow projections was 0 to 2 percent.
- Pre-tax discount rates of 14.27 percent were applied in determining the recoverable amounts of the subsidiaries. The discount rates were estimated based on industry average data and average weighted cost of capital.

The recoverable amount of cash-generating units exceeds its carrying amount in all operating divisions. In 2008 an impairment charge of \$24,495 (2007: \$5,022) was recorded against the Workwear and Personal Safety cash generating unit and \$10,082 against the Lifting, Rigging & Height Safety cash generating unit (2007: nil), as operating results for the 2008 year and forecasts through to 2013 are below expectations.

Any adverse changes in assumptions could reduce the recoverable amount below carrying amount.

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

22. Trade and other payables

	<i>Note</i>	Consolidated		Company	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Current</b>					
Trade payables and accruals		34,733	29,033	535	1,191
Non-trade payables and accruals		32,567	51,434	24,631	37,556
Fair value derivatives	27	3,669	-	3,669	-
Amounts owing to controlled entities		-	-	146,107	109,977
		<u>70,969</u>	<u>80,467</u>	<u>174,942</u>	<u>148,724</u>
<b>Non-current</b>					
Fair value derivatives	27	1,096	-	1,096	-
		<u>1,096</u>	<u>-</u>	<u>1,096</u>	<u>-</u>

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**23. Interest-bearing loans and borrowings**

This note provides information about the contractual terms of the Company's and the Group's interest-bearing loans and borrowings. For more information about the consolidated entity's exposure to interest rate and foreign currency risk, see note 45.

	Note	Consolidated		Company	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Current liabilities</b>					
Secured					
Bank overdraft	14	1,653	1,950	464	-
Cash advance facility		147,916	2,500	-	-
Finance lease liabilities		1,194	654	63	-
		<u>150,763</u>	<u>5,104</u>	<u>527</u>	<u>-</u>
<b>Non-current liabilities</b>					
Secured					
Cash advance facility		-	108,057	-	-
Capitalised borrowing costs		(1,264)	(1,866)	(1,264)	(1,866)
Redeemable preference shares		25,574	22,834	25,574	22,834
Finance lease liabilities		2,936	2,772	-	-
		<u>27,246</u>	<u>131,797</u>	<u>24,310</u>	<u>20,968</u>

**Financing facilities**

	Consolidated	
	2008 \$000	2007 \$000
Bank overdraft - subject to set-off arrangements	1,000	3,000
Cash advance facility	160,808	115,000
Finance lease facility	6,000	6,000
Bank guarantee facility/trade finance	8,000	6,000
	<u>175,808</u>	<u>130,000</u>

**Facilities utilised at reporting date**

	2008	2007
Bank overdraft subject to set-off arrangements	1,653	(5,052)
Cash advance facility	147,916	110,557
Finance lease facility	4,130	3,426
Bank guarantee facility/trade finance	7,228	3,928
	<u>160,927</u>	<u>112,859</u>

**Facilities not utilised at reporting date**

	2008	2007
Bank overdraft subject to set-off arrangements	(653)	8,052
Cash advance facility	12,892	4,443
Finance lease facility	1,870	2,574
Bank guarantee facility/trade finance	772	2,072
	<u>14,881</u>	<u>17,141</u>

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**23. Interest-bearing loans and borrowings (continued)**

**Financing arrangements**

**Bank overdraft**

The bank overdraft is secured by a fixed and floating charge over the current and future assets of the Company and certain subsidiary companies. Interest on bank overdraft is charged at the Bank Bill Overdraft rate "BBOR" plus a margin of 1.50%. (2007: BBOR plus 1.10%)

The bank overdraft is payable on demand and is subject to review by the 31 August each year.

The banking facility allows the cash balances and overdrafts of companies that are party to the banking facility arrangement to be offset.

**Cash advance facility**

The cash advance facility is denominated in Australian dollars. The cash advance facility amount in current liabilities comprises the portion of the consolidated entity's cash advance repayable within one year. The Company's agreement with its bankers in regards to the cash advance facility contains a clause that allows the bankers to call the debt they have provided to the Group by 31 March 2009, if the Company is either not sold or not listed on a securities exchange by 31 December 2008.

The contractual cash-flows described above are shown under the assumption that the Group does not manage to sell or list by the 31 December 2008. If this is not the case, then in good faith, Jeminex and the finance agent will have 1 month in which to renegotiate the terms of the facility and if this is not resolved then the facility becomes payable and due within 2 months. Therefore, the earliest possible termination date of the facility is 31 March 2009.

The cash advance facility is secured by a fixed and floating charge over the current and future assets of certain subsidiaries. The non-current cash advance facility is repayable on or before 29 April 2010 and is subject to quarterly principal repayments of \$1,250 from 30 September 2008 and \$2,500 from 30 September 2009. The loans bear interest at the banks' base rate plus 1.85% for the period to 31 January 2008 and at the banks base rate plus margin varying between 1.00% and 2.00% (depending upon entity's gearing ratio) thereafter (2007: base rate plus 2.15%).

As at 31 December 2008, the entity breached certain banking conditions and covenants in relation to its cash advance facility as a result of the downturn in financial performance and failure to sell or become listed on a securities exchange by 31 December 2008. Subsequent negotiations between the entity, bankers and major shareholders, resulted in amendments and extension of the cash advance facility by the bankers, and additional funding from AMP Life Limited.

The non-current cash advance facility is repayable on or before 31 December 2010. The loans bear interest at the banks base rate plus 3.5% for the period to 31 December 2009, and at the base rate plus a margin of a rate between 3.50% and 4.00% determined by the entities gearing ratio thereafter to 31 December 2010. Current and non-current cash advance facilities are subject to quarterly cash sweeps where cash balance are in excess of \$5.0m.

A hedging instrument with a nominal value of \$104,800 (2007: \$68,700) was in place at 31 December 2008, which fixes the underlying base rate of this amount of the entity's debt at a rate between 5.55% and 7.84%.

**Lease/hire purchase**

The finance lease facility is secured by the asset financed. The weighted average interest rate for the finance lease liabilities is 8.12% (2007: 7.72%).

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**23. Interest-bearing loans and borrowings (continued)**

**Finance lease facility**

The consolidated entity's lease liabilities are secured by the leased assets of \$4,337,457 (2007: \$2,770), and in the event of default, the leased assets revert to the lessor.

**Finance lease liabilities**

Finance lease liabilities of the consolidated entity are payable as follows:

	Consolidated			Consolidated		
	Minimum lease payments 2008 \$000	Interest 2008 \$000	Principal 2008 \$000	Minimum lease payments 2007 \$000	Interest 2007 \$000	Principal 2007 \$000
Less than one year	1,505	310	1,194	900	246	654
Between one and five years	3,385	450	2,936	3,184	412	2,772
	4,890	760	4,130	4,084	658	3,426

**Redeemable preference shares**

*In thousands of AUD*

Opening value at 1 January

Interest expense

Carrying amount at 31 December

	Consolidated		Company	
	2008	2007	2008	2007
Opening value at 1 January	22,834	21,564	22,834	21,564
Interest expense	2,740	1,270	2,740	1,270
Carrying amount at 31 December	25,574	22,834	25,574	22,834

The rights of redeemable preference shareholders are discussed in note 26.

**24. Employee benefits**

**Current**

Liability for annual leave

Liability for long-service leave

	Consolidated		Company	
	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000
Liability for annual leave	2,874	2,079	449	235
Liability for long-service leave	1,060	68	-	-
	3,934	2,147	449	235

**Non current**

Liability for long-service leave

Total employee benefits

Liability for long-service leave	802	1,136	276	107
Total employee benefits	802	1,136	276	107

**Defined contribution superannuation funds**

The consolidated entity makes contributions to a defined contribution superannuation fund. The amount recognised as expense was \$3,693 for the financial year ended 31 December 2008 (6 months 31 December 2007: \$1,305).

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

25. Provisions

	Lease make-good \$000	Total \$000
<b>Consolidated</b>		
Balance at 1 July 2007	411	411
Additions	36	36
Balance at 31 December 2007	<u>447</u>	<u>447</u>
Current	68	68
Non-current	379	379
	<u>447</u>	<u>447</u>
Balance at 1 January 2008	447	447
Additions during the year	632	632
Balance at 31 December 2008	<u>1,079</u>	<u>1,079</u>
Current	584	584
Non-current	495	495
	<u>1,079</u>	<u>1,079</u>
<b>Company</b>		
Balance at 1 July 2007	13	13
Additions	-	-
Balance at 31 December 2007	<u>13</u>	<u>13</u>
Balance at 1 January 2008	13	13
Additions during the year	49	49
Balance at 31 December 2008	<u>62</u>	<u>62</u>
Current	-	-
Non-current	62	62
	<u>62</u>	<u>62</u>

**Make-good**

An obligation exists to restore leased premises to their original conditions at the end of the lease term. Make-good costs are recognised as part of the cost of assets and as a provision at the time of the obligating event.

26. Capital and reserves

**Share capital**

	<i>Note</i>	Ordinary shares		Preference shares	
<i>In thousands of shares</i>		2008	2007	2008	2007
On issue at 1 January		129,875	123,775	-	17,052
Issued as consideration for business combinations		1,225	-	-	-
Conversion of convertible notes		-	5,833	-	-
Exercise of options		266	-	-	-
Reclassified to debt	34	-	-	-	(17,052)
Issued for cash		-	267	-	-
On issue at 31 December – fully paid		<u>131,366</u>	<u>129,875</u>	<u>-</u>	<u>-</u>

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**26. Capital and reserves (continued)**

The Company has also issued share options (see note 28).

The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's assets.

The holders of preference shares have the right to receive cumulative dividends equal to 12% pa of the amount outstanding which accrues on a daily basis from the date of issue of the share but are only payable out of legally available funds and are subject to the conditions set out in note 5. Preference shareholders are entitled to one vote per share at meetings of the company. Preference shares rank above ordinary shares with regard to the Company's residual assets.

AMP Investment Services Pty Ltd and AMP Capital Investors Limited, the holders of series A preference shares may serve a redemption notice if (a) a liquidation event has not occurred within the fifth anniversary of the completion date of (b) an IPO has not been completed by the fifth anniversary of the completion date.

**Translation reserve**

The 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.

**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.

**Dividends**

	Company	
	2008	2007
	\$000	\$000
Dividend franking account	12,499,688	11,103,494
30 per cent franking credits available to shareholders of Jeminex Limited for subsequent financial years		

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- (a) franking credits that will arise from the payment of the current tax liabilities;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of \$12,499 (2007: \$11,103) franking credits.

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**27. Financial instruments**

Exposure to credit, interest rate and currency risks arises in the normal course of the consolidated entity's business. Derivative financial instruments are used to hedge exposure to fluctuations in interest rates and foreign currency. The Group hedges trade payables denominated in a foreign currency.

**Credit Risk**

**Exposure to credit risk**

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

		<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Loans and receivables	23	48,352	43,592	105,337	81,743
Cash and cash equivalents	14	4,593	27,600	33	22,360
Interest derivatives used for hedging	23	-	1,263	-	1,263
		<u>52,945</u>	<u>72,455</u>	<u>105,370</u>	<u>105,366</u>

The Group's maximum exposure to credit risk for trade receivables at the reporting date by business division was:

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$000</b>	<b>\$000</b>
Workwear & Personal Safety	10,793	9,112
Lifting, Rigging & Height Safety	12,600	10,324
Industrial & Electrical	16,948	17,715
Drill & Blast	4,012	4,624
	<u>44,353</u>	<u>41,775</u>

The Group's most significant customer accounts for \$2,238 of the trade receivables carrying amount at 31 December 2008 (2007: \$1,500).

Two subsidiaries account for \$13,199 and \$7,931 (31 December 2007: \$14,892 and \$7,471) of the Company's receivables carrying amount.

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

27. Financial instruments (continued)

**Impairment losses**

The Company does not have any trade receivables (2007:\$nil). The aging of the Group's trade receivables at the reporting date was:

	<b>Gross 2008 \$000</b>	<b>Gross 2007 \$000</b>
Not past due	20,628	23,209
Past due 0-30 days	15,943	13,503
Past due 31-90 days	5,738	3,668
Past due 90 days to one year	2,752	1,734
	45,061	42,114

Management consider it impracticable to disclose the aging of the impairment provision for trade receivables.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	<b>2008 \$000</b>	<b>2007 \$000</b>
Balance at 1 January	337	234
Impairment loss recognised	371	103
Balance at 31 December	708	337

Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 60 days.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the entity is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the financial asset directly.

During the year ending 31 December 2008, the Group did not renegotiate the terms of trade with any of its significant customers.

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

27. Financial instruments (continued)

Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated

31 December 2008

	Carrying amount \$000	Contractual cash flows \$000	6 mths or less \$000	6-12 mths \$000	1-2 years \$000	2-5 years \$000
<b>Non-derivative financial liabilities</b>						
Secured bank loans**	147,916	(147,916)	(147,916)	-	-	-
Trade and other payables*	67,300	(67,300)	(67,300)	-	-	-
Bank overdraft	1,653	(1,653)	(1,653)	-	-	-
Finance lease liabilities	4,130	(4,890)	(335)	(658)	(964)	(2,173)
	220,999	(221,759)	(217,204)	(658)	(964)	(2,173)

31 December 2007

	Carrying amount \$000	Contractual cash flows \$000	6 mths or less \$000	6-12 mths \$000	1-2 years \$000	2-5 years \$000
<b>Non-derivative financial liabilities</b>						
Secured bank loans**	110,557	(136,894)	(4,970)	(7,248)	(16,997)	(107,680)
Finance lease liabilities	3,426	(4,048)	(450)	(450)	(637)	(2,547)
Trade and other payables*	73,210	(73,210)	(73,210)	-	-	-
Bank overdraft	1,950	(1,950)	(1,950)	-	-	-
	189,143	(216,102)	(80,580)	(7,698)	(17,634)	(110,227)

Company

31 December 2008

	Carrying amount \$000	Expected cash flows \$000	6 mths or less \$000	6-12 mths \$000	1-2 years \$000	2-5 years \$000
Trade and other payables*	25,165	(25,165)	(25,165)	-	-	-
Loan from subsidiaries	146,107	(146,107)	-	-	-	(146,107)
Bank overdraft	464	(464)	(464)	-	-	-
Finance lease liabilities	63	(66)	(34)	(29)	-	-
	171,799	(171,802)	(25,663)	(29)	-	(146,107)

31 December 2007

	Carrying amount \$000	Expected cash flows \$000	6 mths or less \$000	6-12 mths \$000	1-2 years \$000	2-5 years \$000
Trade and other payables	35,209	(35,209)	(35,209)	-	-	-
Loan from subsidiaries	2,802	(2,802)	-	-	-	(2,802)
	38,011	(38,011)	(35,209)	-	-	(2,802)

\* Excludes derivatives (shown separately).

## Jeminex Limited

### Notes to the consolidated financial statements (continued)

For the year ended 31 December 2008

#### 27. Financial instruments (continued)

##### Liquidity Risk (continued)

\*\* The Company's agreement with its bankers in regards to the cash advance facility contains a clause that allows the bankers to call the debt they have provided to the Group by 31 March 2009, if the Company is either not sold or not listed on a securities exchange by 31 December 2008. The contractual cashflows described above are shown under the assumption that the Group does not manage to sell or list by the 31 December 2008.

On 23 February 2009, the Company entered into new banking arrangements under a syndicate facility with Westpac Banking Corporation, Bank of Scotland International and the Commonwealth Bank of Australia. This facility extends the term of the facility to 31 December 2010. The facility is subject to quarterly cash sweeps where cash balances are in excess of \$5.0 million. The loans bear interest at the BBSY rate plus 3.5% for the period to 31 December 2009, and at the BBSY rate plus a margin of a rate between 3.50% and 4.00% determined by the entities gearing ratio thereafter to 31 December 2010.

<i>In thousands of AUD</i>	Year Ended 31 December 2008				
	Carrying amount	Expected cash flows	6 mths or less	6-12 mths	1-2 years
<b>Interest rate swaps:</b>					
Liabilities	4,765	(4,765)	(1,834)	(1,834)	(1,096)
	4,765	(4,765)	(1,834)	(1,834)	(1,096)

<i>In thousands of AUD</i>	Period Ended 31 December 2007				
	Carrying amount	Expected cash flows	6 mths or less	6-12 mths	1-2 years
<b>Interest rate swaps:</b>					
Liabilities	28	(28)	(28)	-	-
	28	(28)	(28)	-	-

##### Currency Risk

##### Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts

<i>In thousands of AUD</i>	31 December 2008			
	AUD	USD	Euro	Other
Trade receivables	44,793	-	-	268
Trade payables	(24,297)	(9,272)	(417)	(748)
Gross balance sheet exposure	20,496	(9,722)	(417)	(480)

<i>In thousands of AUD</i>	31 December 2007			
	AUD	USD	Euro	Other
Trade receivables	41,633	42	-	395
Trade payables	(21,948)	(4,444)	(439)	(141)
Gross balance sheet exposure	19,685	(4,402)	(439)	254

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**27. Financial instruments (continued)**  
**Currency risk (continued)**

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date spot	
	12 months to 31 December 2008	6 months to 31 December 2007	12 months to 31 December 2008	6 months to 31 December 2007
USD	0.8632	0.8686	0.6907	0.8781
GBP	0.4650	0.4273	0.4772	0.4377
Euro	0.5860	0.6157	0.4900	0.5967

**Currency Risk**  
**Sensitivity analysis**

A 10 bp strengthening of the Australian dollar against the US Dollar at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and has been performed on interest bearing balances at year end. The analysis is performed on the same basis for December 2007.

Jeminex Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2008

27 Financial instruments (continued)  
 Currency Risk (continued)  
 Exposure to currency risk (continued)

<i>Effect in thousands of AUD</i>	<b>Consolidated</b>		<b>Company</b>	
	<b>Equity</b>	<b>Profit or Loss</b>	<b>Equity</b>	<b>Profit or Loss</b>
<b>31 December 2008</b>				
USD	-	1,226	-	-

	<b>Consolidated</b>		<b>Company</b>	
	<b>Equity</b>	<b>Profit or Loss</b>	<b>Equity</b>	<b>Profit or Loss</b>
<b>31 December 2007</b>				
USD	-	400	-	-

A 10 bp weakening of the Australian dollar against the US dollar at 31 December would have had the following effect on the basis that all other variables remain constant.

<i>Effect in thousands of AUD</i>	<b>Consolidated</b>		<b>Company</b>	
	<b>Equity</b>	<b>Profit or Loss</b>	<b>Equity</b>	<b>Profit or Loss</b>
<b>31 December 2008</b>				
USD	-	(1,246)	-	-

	<b>Consolidated Equity</b>	<b>Company Profit or Loss</b>	<b>Equity</b>	<b>Profit or Loss</b>
	<b>31 December 2007</b>			
USD	-	(489)	-	-

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

27. Financial Instruments (continued)

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

<i>In thousands of AUD</i>	Consolidated Carrying amount		Company Carrying amount	
	2008	2007	2008	2007
<b>Variable rate instruments</b>				
Hedge assets	-	780	-	780
Hedge liabilities	(4,765)	-	(4,765)	-
DTL	(683)	(234)	(683)	(234)
	(5,448)	546	(5,448)	546

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

Interest rates used for determining fair value

Note	Subscription date	Maturity date	Terminal date of note	Amount	Variable interest rate	Fixed rate
1	2/12/2008	3/3/2009	29/4/2010	\$5,500,000	4.4717%	5.550%
2	31/12/2008	31/3/2009	29/4/2010	\$12,000,000	4.2000%	6.000%
3	29/10/2008	29/1/2009	29/4/2010	\$3,300,000	5.9150%	5.860%
4	18/11/2008	18/2/2009	29/4/2010	\$6,000,000	4.6700%	6.335%
5	30/10/2008	30/1/2009	30/4/2010	\$5,000,000	5.9533%	7.040%
6	30/10/2008	30/1/2009	29/4/2010	\$15,000,000	5.9533%	6.635%
7	9/10/2008	9/1/2009	9/4/2010	\$10,000,000	6.2733%	7.200%
8	3/10/2008	5/1/2009	6/4/2010	\$7,000,000	7.0533%	7.740%
9	3/10/2008	5/1/2009	6/4/2010	\$15,000,000	7.0533%	7.495%
10	30/10/2008	30/1/2009	30/4/2010	\$18,000,000	5.9533%	7.530%
11	6/11/2008	6/2/2009	6/4/2010	\$8,000,000	5.1667%	7.840%

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**28. Share based payments**

On 31 March 2007, the Group established the Jeminex Share Option Plan that entitles key management personnel and other employees to purchase shares in the Company. In accordance with this plan, options are exercisable at the price determined by the remuneration committee and set out in each option agreement with the employee.

The terms and conditions of the grants are as follows. All options are to be settled by physical delivery of shares.

<b>Grant date / employees entitled</b>	<b>Grant date</b>	<b>Number of instruments</b>	<b>Vesting Conditions</b>
Option grant to key management	20 Oct 2006	250,000	Liquidity event (listing or trade sale of the Jeminex Group)
Option grant to key management	20 Oct 2006	517,877	5 years service and liquidity event occurring prior to the lapsing on the service period
Option grant to key management	11 Dec 2006	4,576,380	5 years service and liquidity event occurring prior to the lapsing on the service period
Option grant to key management	30 Mar 2007	1,501,456	5 years service and liquidity event occurring prior to the lapsing on the service period
Option grant to key management	25 Apr 2007	2,000,000	5 years service and liquidity event occurring prior to the lapsing on the service period
Option grant to key management	25 Apr 2007	2,000,000	5 years service and liquidity event occurring prior to the lapsing on the service period
Option grant to senior employees	11 May 2007	3,300,000	5 years service and liquidity event occurring prior to the lapsing on the service period
Option grant to senior employees	15 Oct 2007	150,000	5 years service and liquidity event occurring prior to the lapsing on the service period
Option grant to senior employees	29 Oct 2007	750,000	5 years service and liquidity event occurring prior to the lapsing on the service period
Option grant to senior employees	23 Nov 2007	100,000	5 years service and liquidity event occurring prior to the lapsing on the service period
Option grant to senior employees	27 Nov 2007	266,667	Options lapse on 31 December 2007 if not exercised
Option grant to senior employees	3 Dec 2007	100,000	5 years service and liquidity event occurring prior to the lapsing on the service period
Options exercised by senior employee	18 Dec 2007	(266,667)	
Option grant to senior employees	11 Mar 2008	150,000	5 years service and liquidity event occurring prior to the lapsing on the service period
Options lapsed	13 May 2008	(75,000)	
Option grant to senior employees	17 July 2008	2,016,667	5 years service and liquidity event occurring prior to the lapsing on the service period
Option grant to senior employees	24 July 2008	25,000	5 years service and liquidity event occurring prior to the lapsing on the service period
Option grant to senior employees	4 August 2008	100,000	5 years service and liquidity event occurring prior to the lapsing on the service period
Options exercised by senior employee	13 August 2008	(266,667)	Options exercised by senior employee

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

28. Share based payments (continued)

Grant date / employees entitled	Grant date	Number of instruments	Vesting Conditions
Options lapsed	31/8/2008	(200,000)	
Options lapsed	10/10/2008	<u>(200,000)</u>	
Total share Options		<u>16,795,713</u>	

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2008	Number of options 2008	Weighted average exercise price 2007	Number of options 2007
Outstanding at 1 January	0.285	15,245,713	0.311	14,145,713
Forfeited during the period	0.750	(475,000)	-	
Exercised during the period	0.750	(266,667)	0.750	(266,667)
Granted during the period	0.709	<u>2,291,667</u>	0.500	<u>1,366,667</u>
Outstanding at 31 December		<u>16,795,713</u>		<u>15,245,713</u>

The options outstanding at 31 December 2008 have an exercise price in the range of \$0.300 to \$0.750 and a weighted average contractual life of 5 years.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2008 was \$0.750 (2007: \$0.750).

Jeminex Limited  
Notes to the financial statements  
For the year ended 31 December 2008

**28. Share-based payments (continued)**

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model, incorporating the probability of the relative total shareholder return vesting condition being met, with the following inputs:

	Key management personnel 2008	Key management personnel 2007	Senior employees 2008	Senior employees 2007
<i>Fair value of share options and assumptions</i>				
<b>Fair value at grant date</b>	0.372	N/A	0.366 to 0.583	0.080
Share price	0.850	N/A	0.750 to 0.850	0.500
Exercise price	0.750	N/A	0.375 to 0.750	0.500
Expected volatility (weighted average volatility)	30%	N/A	30%	30%
Option life (expected weighted average life)	5 years	N/A	5 years	5 years
Expected dividends	\$Nil	N/A	\$Nil	\$Nil
Risk-free interest rate (based on government bonds)	6.34%	N/A	5.99% to 6.38%	6.15% to 6.52%

**Employee expenses**

*In AUD*

Share options granted in 2007  
Share options granted in 2008  
Total expense recognised as employee costs

	Consolidated		Company	
	2008	2007	2008	2007
Share options granted in 2007	127	684	98	684
Share options granted in 2008	184	-	(154)	-
<b>Total expense recognised as employee costs</b>	<b>311</b>	<b>684</b>	<b>(56)</b>	<b>684</b>

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**29. Operating leases**

**Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		Company	
	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000
Less than one year	5,902	4,263	283	-
Between one and five years	12,992	10,113	532	-
More than five years	14	183	-	-
	<b>18,908</b>	<b>14,559</b>	<b>815</b>	<b>-</b>

During the financial year ended 31 December 2008 \$8,160,934 was recognised as an expense in the income statement in respect of operating leases (6 months 2007: \$3,000,854).

**30. Contingencies**

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Consolidated		Company	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Contingent liabilities considered remote				
<i>Guarantees</i>				
The Company has guaranteed the rent of a certain subsidiary	866	672	866	672
The Company has provided guarantees to certain suppliers of subsidiary companies	261	239	261	239
The Company has provided a standby letter of credit for a supplier of a subsidiary	3,938	2,254	3,938	2,254
The Company has provided a guarantee in respect of the licensing of the "Mack brand"	301	-	301	-
Other	300	-	-	-
	<b>5,666</b>	<b>3,165</b>	<b>5,366</b>	<b>3,165</b>

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

31. Consolidated entities

Parent entity	Country of Incorporation	Ownership interest	
		2008 %	2007 %
Jeminex Limited			
<b>Subsidiaries</b>			
Heatley Sales Pty Limited	Australia	100	100
Worksense Safety and Workwear Pty Limited (formerly: Australian Safety Specialists Pty Limited)	Australia	100	100
Worldwide Sales and Imports Pty Limited	Australia	100	100
Beaver Brands Pty Limited (formerly: Beaver Sales Pty Limited)	Australia	100	100
Total Trade Supplies Pty Limited	Australia	100	100
Torrens Trading Pty Limited	Australia	100	100
Bri-Tech Pty Limited	Australia	100	100
Impact Drilling Pty Limited	Australia	100	100
Noble Workwear Pty Limited (formerly known as Noble Agencies Holdings Pty Limited)	Australia	100	100
Robertsons Lifting and Rigging Pty Limited	Australia	100	100
Jeminex Issuer Company Pty Limited	Australia	100	100
Addrill Pty Limited	Australia	100	100
K.A.R.M. Plant Hire Pty Limited	Australia	100	100
Jeminex Work Wear and Safety Pty Limited	Australia	100	100
Energy Correction Options Pty Limited	Australia	100	-
Terracon Pty Limited	Australia	100	-
Industrial Safety and Apparel Solutions Pty Limited	Australia	100	-
Jeminex Lifting and Rigging Pty Limited	Australia	100	-
JLD Footwear Pty Limited	Australia	100	-
Pacific Drilling and Blasting Pty Ltd	Australia	100	-

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**32. Acquisitions of subsidiaries**

During the year the consolidated entity purchased the percentage voting shares in the following entities:

	<b>Acquisition date</b>	<b>% voting shares acquired</b>	<b>Business activities</b>
Energy Correction Options Pty Limited and Terracon Pty Limited	14 Mar 2008	100	Distribution of a broad range of energy correction and general electrical products
Industrial Safety Apparel Solutions Pty Limited	14 Mar 2008	100	Provider of fire protection clothing
Pacific Drilling and Blasting Pty Ltd	7 July 2008	100	Drill and Blast

During the current financial year the consolidated entity purchased the trading assets and liabilities in the following entities:

Jeminex Lifting & Rigging Pty Limited	18 Mar 2008		Distribution of lifting, rigging and height safety products.
JLD Footwear Pty Limited	19 Mar 2008		Import and distribution of footwear
Midland Disposal Stores	19 Mar 2008		Distribution of outdoor equipment, clothing and footwear

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**32. Acquisitions of subsidiaries (continued)**

**Effect of acquisition in the year ended 31 December 2008**

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

	<b>Pre- acquisition carrying amounts \$000</b>	<b>Fair value adjustments \$000</b>	<b>Recognised values on acquisition \$000</b>
Property, plant and equipment	3,393	-	3,393
Deferred tax assets	61	-	61
Intangible assets	125	6,942	7,067
Inventory	7,166	(2,167)	4,999
Trade debtors and other receivables	4,177	-	4,177
Cash and cash equivalents	404	-	404
Trade and other payables	(2,614)	(11)	(2,625)
<b>Net identifiable assets and liabilities</b>	<b>12,712</b>	<b>4,764</b>	<b>17,476</b>
Goodwill on acquisition			21,400
Consideration paid, satisfied in cash*			38,876
Consideration paid, satisfied in ordinary shares			(943)
Deferred consideration			(8,725)
Cash acquired			(404)
<b>Net cash outflow</b>			<b>28,804</b>

\* Includes legal fees and other due diligence costs of \$1,313.

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values).

The goodwill recognised on acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the company into the Group's existing business (see note 21).

Goodwill has arisen on the acquisition of entities during the year as customer and non-compete agreements, trade names and customer contracts relationships only partly meet the criteria for recognition as an intangible asset at the date of acquisition.

It is impracticable to determine the effect that the acquisitions would have had on the consolidated entity had they been acquired on 1 January 2008.

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**32. Acquisitions of subsidiaries (continued)**

On 14 March 2008, the consolidated entity purchased 100% of the voting rights of Energy Correction Options Pty Limited. The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	<b>Pre- acquisition carrying amounts \$000</b>	<b>Fair value adjustments \$000</b>	<b>Recognised values on acquisition \$000</b>
Property, plant and equipment	242	-	242
Deferred tax assets	4	-	4
Intangible assets	-	1,951	1,951
Inventory	1,037	-	1,037
Trade debtors and other receivables	1,636	-	1,636
Cash and cash equivalents	399	-	399
Trade and other payables	(875)	-	(875)
<b>Net identifiable assets and liabilities</b>	<u>2,443</u>	<u>1,951</u>	<u>4,394</u>
Goodwill on acquisition			<u>4,111</u>
Consideration paid, satisfied in cash*			8,505
Consideration paid, satisfied in ordinary shares			(518)
Cash acquired			(399)
Deferred consideration			<u>(2,675)</u>
<b>Net cash outflow</b>			<u>4,913</u>

\* Includes legal fees and other due diligence costs of \$171.

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values).

The goodwill recognised on acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the company into the Group's existing business (see note 21).

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**32. Acquisitions of subsidiaries (continued)**

On 19 March 2008, the consolidated entity purchased the assets and liabilities of JLD Footwear Pty Limited and Midland Disposal Stores. The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	<b>Pre- acquisition carrying amounts \$000</b>	<b>Fair value adjustments \$000</b>	<b>Recognised values on acquisition \$000</b>
Property, plant and equipment	703	-	703
Intangible assets	15	4,277	4,292
Inventory	4,966	(2,104)	2,862
Trade and other payables	(28)	(26)	(54)
<b>Net identifiable assets and liabilities</b>	<b>5,656</b>	<b>2,147</b>	<b>7,803</b>
Goodwill on acquisition			8,317
Consideration paid, satisfied in cash*			16,120
Consideration paid, satisfied in ordinary shares			(225)
Deferred consideration			-
<b>Net cash outflow</b>			<b>15,895</b>

\* Includes legal fees and other due diligence costs of \$307.

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values).

The goodwill recognised on acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the company into the Group's existing business (see note 21).

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**32. Acquisitions of subsidiaries (continued)**

On 7 July 2008, the consolidated entity purchased 100% of the voting rights of Pacific Drilling and Blasting Pty Limited. The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	<b>Pre- acquisition carrying amounts \$000</b>	<b>Fair value adjustments \$000</b>	<b>Recognised values on acquisition \$000</b>
Property, plant and equipment	1,965	-	1,965
Intangible assets	110	-	110
Trade debtors and other receivables	866	-	866
Cash and cash equivalents	5	-	5
Trade and other payables	(558)	-	(558)
<b>Net identifiable assets and liabilities</b>	<b>2,388</b>	<b>-</b>	<b>2,388</b>
Goodwill on acquisition			<u>5,167</u>
Consideration paid, satisfied in cash*			7,555
Consideration paid, satisfied in ordinary shares			(200)
Deferred consideration			(2,376)
Cash acquired			<u>(5)</u>
<b>Net cash outflow</b>			<b><u>4,974</u></b>

\* Includes legal fees and other due diligence costs of \$242.

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values).

The goodwill recognised on acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the company into the Group's existing business (see note 21).

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**32. Acquisitions of subsidiaries (continued)**

During the prior financial year the consolidated entity purchased the percentage voting shares in the following entities:

	<b>Acquisition date</b>	<b>% voting shares acquired</b>	<b>Business activities</b>
Addrill Pty Limited and KARM Plant Hire Pty Limited	4 December 2007	100	Drill and Blast
Robertsons Lifting and Rigging Pty Ltd	4 September 2007	-	Lifting, rigging and height safety
Jeminex Work Wear & Safety Pty Ltd	2 November 2007	-	Workwear and personal safety
Worksense	31 December 2007	-	Workwear and personal safety

**Effect of acquisition in the prior year ended 31 December 2007**

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

	<b>Pre-acquisition carrying amounts \$000</b>	<b>Fair value adjustments \$000</b>	<b>Recognised values on acquisition \$000</b>
Property, plant and equipment	7,992	-	7,992
Intangible assets	1,453	-	1,453
Inventory	9,107	(2,267)	6,840
Trade debtors and other receivables	5,542	21	5,563
Cash and cash equivalents	176	-	176
Trade and other payables	(5,066)	-	(5,066)
<b>Net identifiable assets and liabilities</b>	<b>19,204</b>	<b>(2,246)</b>	<b>16,958</b>
Goodwill on acquisition			53,557
Consideration paid, satisfied in cash*			70,515
Cash (acquired)			(176)
Consideration paid, satisfied in ordinary shares			(2,375)
Deferred consideration			(42,602)
<b>Total consideration</b>			<b>25,362</b>

\* Includes legal fees and other due diligence costs of \$754.

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values).

It is impracticable to determine the effect that the acquisitions would have had on the consolidated entity had they been acquired on 1 July 2006.

The goodwill recognised on acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the company into the Group's existing business (see note 21).

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

33. Reconciliation of cash flows from operating activities

	Note	Consolidated		Company	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Cash flows from operating activities</b>					
Profit (loss) for the period		(39,714)	(349)	(32,524)	(3,085)
<i>Adjustments for:</i>					
Loss on disposal of assets		174	-	53	-
Depreciation	20	4,623	1,663	448	165
Amortisation of formation expenses		13	7	13	7
Amortisation of intangible assets	21	6,239	2,261	-	-
Amortisation of borrowing costs	12	873	281	873	281
Equity settled share based payments	28	311	684	(56)	684
Impairment of goodwill	21	34,578	-	-	-
Impairment of assets		1,843	-	21,506	-
Interest expense	12	15,407	4,748	2,847	1,279
Interest received	12	(1,041)	(149)	(884)	(126)
Income tax expense	13	921	2,019	(3,565)	(2,191)
<b>Operating profit before changes in working capital and provisions</b>		<b>24,227</b>	<b>11,165</b>	<b>(11,289)</b>	<b>(2,986)</b>
Change in trade and other receivables		879	(1,570)	(589)	324
Change in inventories		(9,692)	(1,582)	-	-
Change in trade and other payables		8,299	2,159	327	(846)
Change in provisions		1,028	106	62	-
		<b>24,741</b>	<b>10,278</b>	<b>(11,489)</b>	<b>(3,508)</b>
Interest received		1,041	149	884	126
Interest paid		(13,642)	(3,014)	(115)	(1,279)
Income taxes paid		(3,724)	(1,474)	(2,464)	(1,474)
<b>Net cash from operating activities</b>		<b>8,416</b>	<b>5,939</b>	<b>(13,184)</b>	<b>(6,135)</b>

34. Restatement of classification of preference shares

The comparative amounts for the 6 months ended 31 December 2007 and opening issued capital as at 1 January 2008 have been restated to correct the classification of the Company's and group preference shares in prior years. The redeemable preference shares were classified as equity but have now been restated as debt in accordance with the terms and conditions of the shares and AASB 132. The effect of the correction of this error in the prior year is to increase non-current liabilities by \$22,834, decrease issued capital by \$16,872, increase of accumulated losses by \$4,692 and increasing loss for the 6 months period ended 31 December 2007 by \$1,270.

# Jeminex Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2008

### 35. Key management personnel disclosures

#### Transactions with key management personnel

Executive Officers participate in the Group's share option programme (see note 28)

#### Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 9) are as follows:

	Consolidated		Company	
	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000
Short-term employee benefits	2,273	728	2,050	429
Post-employment benefits	358	36	349	15
Share-based payments	213	427	213	427
	<b>2,844</b>	<b>1,191</b>	<b>2,612</b>	<b>871</b>

Key management personnel include the group's directors, CEO, CFO and Divisional General Managers.

#### Loans to key management personnel

There were no loans made, guaranteed or secured by any entity in the Group to key management personnel during the year ended 31 December 2008 (2007: \$nil)

#### Other key management personnel transactions with the Company or its controlled entities

A number of key management personnel of the Company, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and other related parties were as follows:

Director	Transaction	Note	Consolidated		Company	
			12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000
Mr G Heatley	Property rental	(i)	388	130	-	-
Mr S Barbaro	Property rental	(i)	47	20	-	-
Mr G Heatley	Inventory purchase	(ii)	1,208	610	-	-
Mr C Di Losa	Property rental	(i)	318	79	-	-
Mr D Waller	Property rental	(i)	-	84	-	-
Mr P Waller	Property rental	(i)	42	84	-	-

- (i) Certain subsidiary companies lease various premises from entities associated with key management personnel. Amounts are billed based on normal market rates for such rentals and are due and payable under normal payment terms.
- (ii) A subsidiary Company, Heatley Sales Pty Limited has sold inventory to a company associated with Mr Geoff Heatley. Amounts were billed based on normal market rates for such products and were due and payable under normal payment terms.

Jeminex Limited  
Notes to the consolidated financial statements (continued)  
For the year ended 31 December 2008

**36. Non-key management personnel disclosures**

**Identity of related parties**

The consolidated entity has a related party relationship with its subsidiaries (see note 31) and with its key management personnel (see note 35).

**Other related party transactions**

**Subsidiaries**

Loans are made by the Company to wholly owned subsidiaries, and loans are received from subsidiaries for capital purchases and working capital management. Loans outstanding between the Company and its controlled entities have no fixed date of repayment and are non-interest bearing.

**37. Subsequent events**

Subsequent to year end and before the completion of these financial statements, the Company was able to renegotiate the terms and conditions of the cash advance facility to extend this clause and the facility to 31 December 2010 (refer to note 26). The Company was also able to obtain \$20 million of debt financing from AMP Life Limited, a significant shareholder. This allowed the Company to meet its short term working capital commitments. The Company was further able to renegotiate the terms of its deferred consideration for the acquisition of Addrill Pty Limited and other acquisitions. This included the deferral of payment to the occurrence of a liquidity event (defined as either an Initial Public Offering [IPO] or a trade sale) as well as the reclassification of these amounts as debt.

Had these events been completed prior to year end, the impact would have resulted in the cash advance facility and vendor deferred consideration being classified as long term debt, and a positive working capital position being maintained.

Further events subsequent to the reporting date include the following:

- On 4 February 2009, the Company renegotiated the terms of their deferred consideration commitment with the former vendors of Jeminex Lifting and Rigging. Such negotiations resulted in, from the effective date the consideration is due, the reclassification of these amounts as debt with interest payable on a monthly basis at the bank bill rate plus 4%. The repayment of these amounts has been deferred to the occurrence of a liquidity event (defined as either an Initial Public Offering [IPO] or a trade sale).
- On 6 February 2009, the Company received a waiver from the banking syndicate in relation to several covenant breach at 31 December 2008. This was ratified with the new banking arrangements detailed below.
- On 10 February 2009, the Company renegotiated the terms of their deferred consideration commitment with the former vendors of Energy Correction Options. Such negotiations resulted in, from the effective date the consideration is due, the reclassification of these amounts as debt with interest payable on a monthly basis at the bank bill rate plus 4%. The repayment of these amounts has been deferred to the occurrence of a liquidity event (defined as either an Initial Public Offering [IPO] or a trade sale).
- On 19 February 2009, the Company renegotiated the terms of the majority of their deferred consideration commitment with the former vendors of Addrill Pty Ltd. Such negotiations resulted in the reclassification of these amounts as debt with interest payable on a monthly basis at the bank bill rate plus 4%. The repayment of these amounts has been deferred to the occurrence of a liquidity event (defined as either an Initial Public Offering [IPO] or a trade sale).

## Jeminex Limited

### Notes to the consolidated financial statements (continued)

For the year ended 31 December 2008

#### 37. Subsequent events (continued)

- On 23 February 2009, the Company entered into new banking arrangements under a syndicate facility with Westpac Banking Corporation, Bank of Scotland International and the Commonwealth Bank of Australia. This facility extends the term of the facility to 31 December 2010. The facility is subject to quarterly cash sweeps where cash balances are in excess of \$5.0 million. The loans bear interest at the BBSY rate plus 3.5% for the period to 31 December 2009, and at the BBSY rate plus a margin of a rate between 3.5% and 4.0% determined by the entities gearing ratio thereafter to 31 December 2010. Interest payments above the margin of 2.0% has a payment deferral to May 2010 and repayable over eight equal installments.
- On 23 February 2009 AMP Life Limited a significant shareholder entered into a subordinated loan agreement with the Company, whereby an additional \$20 million was made available to fund the day to day operations of the group. This loan is secured against the current and future assets of the Company, but does not take priority over the existing syndicate facility in place at 31 December 2008. This subordinate loan expires on the occurrence of a liquidity event (defined as either an Initial Public Offering [IPO] or a trade sale). Interest payments on the facility are deferred until the occurrence of a liquidity event.
- Subsequent to balance date management restructured the operating division of Industrial and Electrical as disclosed in the financial statements into 2 separate operating divisions to best suit the varying operating business units therein.
- Capital repayments have occurred to the vendors of Addrill Pty Limited and against the syndicate facility including a voluntary repayment ahead of the quarterly cash sweep.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

#### 38. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 31 December 2008, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up

The subsidiaries subject to the Deed are:

- Jeminex Limited
- Bri-Tech Pty Limited
- Heatleys Sales Pty Limited
- Beaver Brands Pty Limited
- Worksense safety and workwear Pty Limited
- Robertsons Lifting and Rigging Pty limited

# Jeminex Limited

## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2008

#### 38. Deed of cross guarantee (continued)

A consolidated income statement and consolidated balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 December 2008 is set out as follows:

#### Summarised income statement and retained profits

*In thousands of AUD*

	Consolidated	
	12 months to 31 December 2008 \$000	6 months to 31 December 2007 \$000
<i>Profit before tax</i>	(33,378)	589
Income tax expense	1,817	(735)
<i>Profit after tax</i>	(31,561)	(146)
Retained profits at beginning of year	(4,035)	(2,928)
<i>Retained profits at end of year</i>	(35,596)	(3,074)
<b>Attributable to:</b>		
Equity holders of the Company	(35,596)	(3,074)

#### Balance sheet

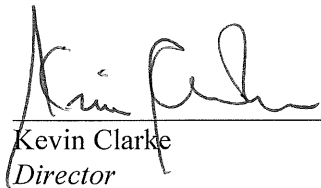
*In thousands of AUD*

	Consolidated	
	2008	2007
<b>Assets</b>		
Cash and cash equivalents	2,955	26,439
Trade and other receivables	79,967	59,105
Inventories	47,813	41,835
<b>Total current assets</b>	130,734	127,379
Trade and other receivables	18	810
Investments	52,069	32,435
Deferred tax assets	8,223	3,156
Property, plant and equipment	12,835	12,433
Intangible assets	56,193	89,636
<b>Total non-current assets</b>	129,338	138,470
<b>Total assets</b>	260,072	265,849
<b>Liabilities</b>		
Trade and other payables, including derivatives	209,105	79,023
Loans and borrowings	2,564	2,342
Employee benefits	3,293	1,506
Current tax payable	531	928
Provisions	557	259
<b>Total current liabilities</b>	216,050	84,058
Loans and borrowings	25,618	110,049
Employee benefits	743	1,538
Provisions	494	379
<b>Total non-current liabilities</b>	26,855	111,966
<b>Total liabilities</b>	242,905	196,024
<b>Net assets</b>	17,167	69,825
<b>Equity</b>		
Share capital	56,385	80,845
Reserves	(3,622)	(7,946)
Retained earnings	(35,596)	(3,074)
<b>Total equity</b>	17,167	69,825

**Jeminex Limited**  
**Directors' declaration**

- 1 In the opinion of the directors of Jeminex Limited (the Company):
  - (a) the financial statements and notes that are contained on pages 9 to 73, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2008 and of their performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
  - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the Company and the group entities identified in Note 38 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

Signed in accordance with a resolution of the directors:



Kevin Clarke  
*Director*

Dated at Sydney this 5th day of May 2009



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

To: the directors of Jeminex Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2008 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

A handwritten signature in black ink, appearing to read 'Tony Nimac', written over a faint, illegible stamp or background.

Tony Nimac  
*Partner*

Sydney

5 May 2009



## Independent auditor's report to the members of Jeminex Limited

### **Report on the financial report**

We have audited the accompanying financial report of Jeminex Limited (the Company), which comprises the balance sheets as at 31 December 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 38 and the directors' declaration set out on page 74 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

(a) the financial report of Jeminex Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2008 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of Jeminex Limited also complies with International Financial Reporting Standards as disclosed in note 2(a).

*KPMG*

KPMG

Tony Nimac  
*Partner*

Sydney

5 May 2009