

Directors' report

For the year ended 30 June 2006

The directors present their report together with the financial report of Jeminex Pty Ltd ("the Company") for the year ended 30 June 2006 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:

Kevin Clarke	Executive Chairman	(Appointed 16 June 2006)
Geoff Heatley	Non-executive Deputy Chairman	(Appointed 29 April 2005)
Peter Ludemann	Non-executive Director	(Appointed 3 August 2006)
David Waller	Non-executive Director	(Appointed 2 August 2005)
Chris Di Losa	Non-executive Director	(Appointed 27 October 2005)
Philip Waller	Non-executive Director	(Appointed 2 August 2005, resigned 3 September 2006)
Jason Varone	Non-executive Director	(Appointed 27 October 2005, resigned 3 September 2006)
Salvatore Barbaro	Non-executive Director	(Resigned 5 September 2006)
William Cook	Non-executive Director	(Resigned 3 August 2006)
Paul Readdy	Non-executive Director	(Resigned 3 August 2006)

Principal activities

The consolidated entity specialises in distributing of a range of industrial consumables with particular focus on the resources, mining, construction and general engineering sectors in Australia.

There were no significant changes in the nature of the activities of the Company during the year.

Operating results

The net profit of the consolidated entity after providing for income tax amounted to \$1,551,000 (2005: \$340,000). The increase in net profit from the prior year was mainly attributable to the acquisitions made during the year. In addition, the prior year results represent the period from 26 April 2005 being the date of incorporation, to 30 June 2005.

Directors' report (continued)

For the year ended 30 June 2006

Significant changes in the state of affairs

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

- On 2 August 2005, the consolidated entity acquired Australian Safety Specialists Pty Limited, a specialist safety equipment business.
- On 2 August 2005, the consolidated entity acquired World Wide Sales and Imports Pty Limited, a specialised procurement company buying directly from approved Asian manufacturers.
- On 27 October 2005, the consolidated entity acquired Beaver Sales Pty Limited, a materials handling business.
- On 27 October 2005, the consolidated entity acquired Total Trade Pty Limited, a distributor of a wide range of industrial consumables. The trading operations of Total Trade Pty Limited were transferred to Heatley Sales Pty Limited subsequent to acquisition.
- On 30 April 2006, the consolidated entity acquired Torrens Trading Pty Limited, a specialist safety equipment business. The trading operations of Torrens Trading Pty Limited were transferred to Australian Safety Specialists Pty Limited subsequent to acquisition.
- On 30 April 2006, the consolidated entity acquired Adelaide Signage Pty Ltd, a company that manufactures and sells signs and other safety equipment. The shares in Adelaide Signage were acquired as part of the acquisition of Torrens Trading Pty Limited.
- On 1 May 2006, the consolidated entity acquired the trading assets and liabilities of Planet Safety Pty Limited. The business imports and distributes hand protection products. The trading operations of Planet Safety Pty Limited were transferred to Beaver Sales Pty Ltd subsequent to acquisition.
- On 18 May 2006 the consolidated entity acquired the trading assets and liabilities of Kalgoorlie Mining Work Unit Trust, a business involved in the distribution of a wide range of industrial consumables to the mining sector. The trading operations of Kalgoorlie Mining Works were transferred to Heatley Sales Pty Limited subsequent to acquisition.
- The total consideration for the above acquisitions during the year was \$61,209,000. The acquisitions were funded through a combination of bank debt and equity funds. At 30 June 2006, the consolidated entity had interest bearing debt of \$50,116,000 (2005: \$7,020,000).

Dividends

No dividends were paid or declared by the Company to members since the end of the previous financial year (2005:\$nil).

Directors' report (continued)

For the year ended 30 June 2006

Events subsequent to reporting date

Events subsequent to the reporting date include the following:

- In September 2006, the consolidated entity raised \$6,300,000 through the issue of convertible loan notes to four shareholders.
- In November 2006, the consolidated entity intends to raise \$25,000,000 through a Rights Issue to existing shareholders. The proceeds of this capital raising include the conversion to equity of the above convertible loan notes. The Board of Jeminex Pty Ltd is offering shares in Jeminex to raise up to \$3,954,000 through an Offer Information Statement and a further \$21,046,000 from eligible shareholders. The issue price of the shares is \$0.30. At the date of this report a total of \$18,731,000 has been received from eligible shareholders. The proceeds have been used to acquire the business assets of Network Packaging (see below) and to retire bank debt.
- In November 2006, the consolidated entity acquired the business assets of Network Packaging for approximately \$5,750,000. Network Packaging is involved in the business of Industrial Packaging.
- In October 2006, Mr Kevin Clarke acquired 517,877 ordinary shares in Jeminex Pty Ltd at \$0.30 per share. In addition, he was granted 517,877 ordinary options and 250,000 bonus options. The exercise price of each of these options is \$0.30.

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

The consolidated entity will continue to pursue investment opportunities in the industrial supplies distribution and wholesaling sector.

Further information about likely developments in the operations of the Company 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.

Environmental regulation

The consolidated entities operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. However, the Board believes that the consolidated entity 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 consolidated entity.

Directors' report (continued)

For the year ended 30 June 2006

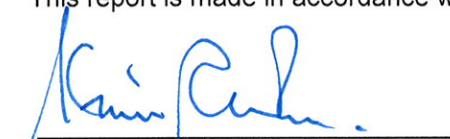
Incorporation and change of name

The Company is a proprietary company limited by shares and was incorporated as Heatley Holdings Pty Ltd on 26 April 2005. On 13 March 2006, the Company changed its name to National Industrial & Safety Pty Ltd, and on 5 September 2006, the Company changed its name to Jeminex Pty Ltd.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 55 and forms part of the directors' report for financial year 2006.

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



Kevin Clarke
Director

Dated at Sydney this 21st day of November 2006.

Jeminex Pty Ltd and its controlled entities
Income statements
For the year ended 30 June 2006

	Note	Consolidated		Company	
		2006 \$000	26 April 2005 to 30 June 2005 \$000	2006 \$000	26 April 2005 to 30 June 2005 \$000
Revenue from sale of goods		103,493	7,525	-	-
Cost of sales		(69,124)	(5,298)	-	-
Gross profit		34,369	2,227	-	-
Other income	2	500	210	-	-
Distribution expenses		(2,404)	-	-	-
Marketing expenses		(552)	(1)	-	-
Occupancy expenses		(2,174)	(82)	(4)	-
Selling and administrative expenses		(20,605)	(1,376)	(563)	(10)
Other expenses	3	(3,221)	(298)	(54)	-
Profit (loss) before financing costs		5,913	680	(621)	(10)
Financial income	6	43	3	14	3
Financial expenses	6	(3,207)	(109)	(2,944)	(115)
Net financing costs		(3,164)	(106)	(2,930)	(112)
Profit (loss) before tax		2,749	574	(3,551)	(122)
Prior period adjustment		-	28	-	-
Income tax expense	7	(1,198)	(262)	1,052	35
Profit (loss) for the period		1,551	340	(2,499)	(87)

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 11 to 51.

Jeminex Pty Ltd and its controlled entities
Consolidated statements of changes in equity
For the year ended 30 June 2006

Consolidated	Issued capital \$000	Retained earnings \$000	Translation Reserve \$000	Hedge reserve \$000	Total equity \$000
Opening balance at 26 April 2005	-	-	-	-	-
Ordinary shares issued	4,991	-	-	-	4,991
Preference shares issued	9,029	-	-	-	9,029
Total non-profit items recognised directly in equity	14,020	-	-	-	14,020
Net profit for the period	-	340	-	-	340
Closing balance at 30 June 2005	14,020	340	-	-	14,360
Opening balance at 1 July 2005	14,020	340	-	-	14,360
Interest derivative gains taken to equity	-	-	-	169	169
Ordinary shares issued	10,485	-	-	-	10,485
Preference shares issued	8,950	-	-	-	8,950
Foreign exchange translation differences	-	-	29	-	29
Total non-profit items recognised directly in equity	19,435	-	29	169	19,633
Net profit for the period	-	1,551	-	-	1,551
Closing balance at 30 June 2006	33,455	1,891	29	169	35,544

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 11 to 51.

Jeminex Pty Ltd and its controlled entities
 Consolidated statements of changes in equity
 For the year ended 30 June 2006

Company	Issued capital \$000	Retained earnings \$000	Translation Reserve \$000	Hedge reserve \$000	Total equity \$000
Balance at 26 April 2005	-	-	-	-	-
Ordinary shares issued	4,991	-	-	-	4,991
Preference shares issued	9,029	-	-	-	9,029
Total non-profit items recognised directly in equity	14,020	-	-	-	14,020
Net loss for the period	-	(87)	-	-	(87)
Balance at 30 June 2005	14,020	(87)	-	-	13,933
Balance at 1 July 2005	14,020	(87)	-	-	13,933
Interest derivative gains taken to equity	-	-	-	169	169
Ordinary shares issued	10,485	-	-	-	10,485
Preference shares issued	8,950	-	-	-	8,950
Total non-profit items recognised directly in equity	19,435	-	-	169	19,604
Net loss for the period	-	(2,499)	-	-	(2,499)
Balance at 30 June 2006	33,455	(2,586)	-	169	31,038

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 11 to 51.

Jeminex Pty Ltd and its controlled entities
 Balance sheets
 As at 30 June 2006

	Note	Consolidated		Company	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Assets					
Cash and cash equivalents	8	2,947	1,595	2,517	81
Trade and other receivables	9	28,242	7,840	3,169	6,227
Inventories	10	25,890	5,036	-	-
Assets classified as held for sale	11	998	-	-	-
Total current assets		58,077	14,471	5,686	6,308
Trade and other receivables	9	359	77	359	61
Investments	12	-	-	79,599	15,853
Deferred tax assets	14	1,434	130	966	-
Property, plant and equipment	15	6,867	1,687	366	-
Intangible assets	16	50,908	12,046	-	-
Total non-current assets		59,568	13,940	81,290	15,914
Total assets		117,645	28,411	86,976	22,222
Liabilities					
Trade and other payables	17	21,274	4,651	4,260	166
Interest-bearing loans and borrowings	18	10,301	27	9,135	-
Employee benefits	19	1,283	349	7	-
Income tax payable	13	5,115	369	-	297
Provisions	20	131	67	-	-
Liabilities classified as held for sale	11	222	-	-	-
Total current liabilities		38,326	5,463	13,402	463
Interest-bearing loans and borrowings	18	42,762	8,588	42,536	7,826
Employee benefits	19	658	-	-	-
Provisions	20	355	-	-	-
Total non-current liabilities		43,775	8,588	42,536	7,826
Total liabilities		82,101	14,051	55,938	8,289
Net assets		35,544	14,360	31,038	13,933
Equity					
Issued capital		33,455	14,020	33,455	14,020
Reserves		198	-	169	-
Retained earnings (accumulated losses)		1,891	340	(2,586)	(87)
Total equity		35,544	14,360	31,038	13,933

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 11 to 51.

Jeminex Pty Ltd and its controlled entities
Statements of cash flows
For the year ended 30 June 2006

	Note	Consolidated		Company	
		2006 \$000	26 April 2005 to 30 June 2005 \$000	2006 \$000	26 April 2005 to 30 June 2005 \$000
Cash flows from operating activities					
Cash receipts from customers		105,056	7,978	-	-
Cash paid to suppliers and employees		(97,852)	(6,539)	(620)	(3)
Cash generated from operations		7,204	1,439	(620)	(3)
Interest paid		(2,920)	(112)	(2,658)	-
Interest received		42	2	14	2
Income taxes paid		(2,985)	-	-	-
Net cash from (used in) operating activities	27	1,341	1,329	(3,264)	(1)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		76	-	-	-
Acquisition of subsidiaries, net of cash acquired	26	(43,296)	(15,180)	(43,296)	(13,509)
Acquisition of property, plant and equipment	14	(2,190)	(3)	(408)	-
Pre-acquisition costs		-	(19)	-	(19)
Formation costs		(1)	(62)	(1)	(8)
Advances to director related entity		-	(41)	-	(5,874)
Net cash used in investing activities		(45,411)	(15,305)	(43,705)	(19,410)
Cash flows from financing activities					
Proceeds from the issue of share capital	20	1,522	11,676	1,522	11,676
Proceeds from borrowings		41,107	8,127	40,975	8,127
Repayment of borrowings		(750)	(3,933)	-	-
Borrowing costs		(701)	(299)	(701)	(311)
Proceeds from intercompany transactions	20	-	-	4,174	-
Net cash provided by financing activities		41,178	15,571	45,970	19,492
Net (decrease) increase in cash and cash equivalents		(2,892)	1,595	(999)	81
Cash and cash equivalents at 1 July		1,595	-	81	-
Cash and cash equivalents at 30 June	8	(1,297)	1,595	(918)	81

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 11 to 51.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies

Jeminex Pty Ltd (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2006 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The financial report was authorised for issue by the directors on 21 November 2006.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards ('AASBs') adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP.

This is the consolidated entity's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in note 31.

(b) Basis of preparation

The financial report is presented in Australian dollars.

Issued standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 119 *Employee Benefits* (December 2004)
- AASB 2004-3 *Amendments to Australian Accounting Standards* (December 2004) amending AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004). AASB 101 *Presentation of Financial Statements* and AASB 124 *Related Party Disclosures*
- AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 2005-3 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 119 *Employee Benefits* (either July or December 2004)
- AASB 2005-4 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*
- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), and AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 2005-6 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 3 *Business Combinations*
- AASB 2006-1 *Amendments to Australian Accounting Standards* (January 2006) amending AASB 121 *The Effects of Changes in Foreign Exchange Rates* (July 2004)
- UIG 4 *Determining whether an Arrangements contains a Lease*
- UIG 4 *Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
- UIG 7 *Applying the Restatement Approach under AASB 129 Financial Reporting Hyperinflationary Economies*
- UIG 8 *Scope of AASB 2*
- AASB 7 *Financial instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007
- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Statements: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

The quantification of the impact of new standards and amendments issues but not yet adopted is not known or reasonably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the Company and the consolidated entity to date. The impact of these standards will be assessed prior to their operative date.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(v).

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 26 April 2005 (being the date of incorporation) for the purposes of the transition to Australian Accounting Standards – AIFRS.

The accounting policies have been applied consistently by all entities in the consolidated entity.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, 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 presently are exercisable or convertible 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.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(d) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations, are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(e) Derivative financial instruments

The consolidated entity uses derivative financial instruments to hedge its exposure to interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy f).

The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(f) Hedging

On entering into a hedging relationship, the consolidated entity formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised).

For cash flow hedges, other than those described above, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(g) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy I). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases.

Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The rates used to calculate depreciation are:

• plant and equipment	6%-20%
• motor vehicles	18.75%-22.5%
• office equipment	9%-20%
• leasehold improvements	2.5%-20%

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(h) Intangible assets

Goodwill

Business combinations

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see accounting policy I).

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(h) Intangible assets (continued)

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

• catalogues	2 years
• customer contracts	10 years
• customer relationships	10 years
• membership of Buying Group	10 years
• non-competition agreements	5 years
• patents	10 years
• supplier agreements	10 years
• trade names	20 years
• website	2 years

(i) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy l).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity.

(l) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy k) and deferred tax assets (see accounting policy t), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through 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 cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(m) Share capital

Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

(n) Interest-bearing borrowings

Current accounting policy

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Comparative period policy

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in *Trade and Other Payables*.

(o) Employee benefits

Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

Annual leave and long service leave

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash flow outflows to be made for those benefits.

(p) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, 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, where appropriate, the risks specific to the liability.

Lease make-good costs

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.

(q) Trade and other payables

Trade and other payables are stated at their amortised cost.

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

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(r) Revenue

Goods sold

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(s) Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge 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.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy f).

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the consolidated entity's right to receive payments is established. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(t) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets 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.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 29 April 2005 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Jeminex Pty Ltd.

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 is assumed by the head entity in the tax-consolidated group and are recognised 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.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(t) Income tax (continued)

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.

(u) Goods and services 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.

(v) Accounting estimates and judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key sources of estimation uncertainty

Note 16 contains information about the assumptions and their risk factors relating to goodwill impairment.

Impairment of goodwill and intangibles with indefinite useful lives

The consolidated entity assesses whether goodwill and intangibles with indefinite useful lives are impaired at least annually in accordance with the accounting policy in note 1. These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

2. Other income

Note	Consolidated		Company	
	2006 \$'000	26 April 2005 to 30 June 2005 \$000	2006 \$000	26 April 2005 to 30 June 2005 \$000
Rebates received	103	64	-	-
Discount received	255	23	-	-
Sundry items	142	123	-	-
	500	210	-	-

3. Other expenses

	Note	Consolidated		Company	
		2006 \$000	26 April 2005 to 30 June 2005 \$000	2006 \$000	26 April 2005 to 30 June 2005 \$000
Depreciation	15	1,129	69	41	-
Profit on sale of property, plant and equipment		(12)	-	-	-
Amortisation of formation costs		13	-	13	-
Amortisation of intangible assets	16	2,091	229	-	-
		3,221	298	54	-

4. Personnel expenses

	Consolidated		Company	
	2006 \$000	26 April 2005 to 30 June 2005 \$000	2006 \$000	26 April 2005 to 30 June 2005 \$000
Included in Selling and Administrative expenses are the following personnel costs:				
Wages and salaries	13,153	1,023	274	-
Contributions to defined contribution superannuation funds	1,172	71	11	-
Increase in liability for annual leave	280	-	7	-
Increase in liability for long service leave	321	-	-	-
	14,926	1,094	292	-

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

5. Auditors' remuneration

<i>In AUD</i>	Consolidated		Company	
	2006 \$000	26 April 2005 to 30 June 2005 \$000	2006 \$000	26 April 2005 to 30 June 2005 \$000
Audit services				
Auditors of the Company				
<i>KPMG Australia:</i>				
Audit and review of financial reports	100	-	16	-
Other auditors				
Audit and review of financial reports	-	22	-	5
	100	22	16	5
Other services				
Auditors of the Company				
<i>KPMG Australia</i>				
Other assurance services	36	-	4	-
Taxation services	6	-	3	-
KPMG related practices				
Due diligence services	-	-	-	-
	42	-	7	-

6. Net financing costs

	Consolidated		Company	
	2006 \$000	26 April 2005 to 30 June 2005 \$000	2006 \$000	26 April 2005 to 30 June 2005 \$000
Interest income	43	3	14	3
Financial income	43	3	14	3
		-		-
Interest expense	(3,070)	(100)	(2,807)	(106)
Amortisation of deferred borrowing costs	(137)	(9)	(137)	(9)
Financial expenses	(3,207)	(109)	(2,944)	(115)
Net financing costs	(3,164)	(106)	(2,930)	(112)

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

7. Income tax expense

Recognised in the income statement

Note	Consolidated		Company	
	2006 \$000	26 April 2005 to 30 June 2005 \$000	2006 \$000	26 April 2005 to 30 June 2005 \$000
Current tax expense				
Current year	2,261	262	-	(35)
Adjustments for prior years	(149)	-	-	-
	2,112	262	-	(35)
Deferred tax expense				
Origination and reversal of temporary differences	(914)	-	(4)	-
Benefit of tax losses recognised	-	-	(1,048)	-
	(914)	-	(1,052)	-
Total income tax expense in income statement	1,198	262	(1,052)	(35)
Attributable to:				
Continuing operations	1,198	262	(1,052)	(35)
	1,198	262	(1,052)	(35)

Numerical reconciliation between tax expense and pre-tax net profit

	Consolidated		Company	
	2006 \$000	26 April 2005 to 30 June 2005 \$000	2006 \$000	26 April 2005 to 30 June 2005 \$000
Profit (loss) before tax – continuing operations	2,749	574	(3,551)	(122)
Income tax using the domestic corporation tax rate of 30% (2005: 30%)	825	172	(1,065)	(37)
Increase in income tax expense due to:				
Non-deductible expenses	658	68	-	-
Other	42	22	13	-
Decrease in income tax expense due to:				
Effect on tax rate in foreign jurisdictions (rates decreased)	(4)	-	-	-
Other	(174)	-	-	2
	1,347	262	(1,052)	(35)
Over provided in prior years	(149)	-	-	-
Income tax expense (credit) on pre-tax net profit (loss)	1,198	262	(1,052)	(35)

Deferred tax recognised directly in equity

	Consolidated		Company	
	2006 \$000	26 April 2005 to 30 June 2005 \$000	2006 \$000	26 April 2005 to 30 June 2005 \$000
Relating to business combinations	120	-	-	-
Relating to interest derivative hedge reserve	86	-	86	-
	206	-	86	-

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

8. Cash and cash equivalents

	Consolidated		Company	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Cash on hand	15	7	-	-
Bank balances	432	838	17	81
Call deposits	2,500	750	2,500	-
Cash and cash equivalents	2,947	1,595	2,517	81
Bank overdrafts repayable on demand	(4,244)	-	(3,435)	-
Cash and cash equivalents in the statements of cash flows	(1,297)	1,595	(918)	81

9. Trade and other receivables

	Note	Consolidated		Company	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Current					
Trade receivables		23,776	7,346	-	-
Other receivables		166	431	151	20
Receivables due from controlled entities		-	-	2,976	6,207
Receivables due from directors' and director related entities	28	3,819	41	-	-
Other assets (prepayments and bonds)		481	22	42	-
		28,242	7,840	3,169	6,227
Non-current					
Formation costs		51	77	51	61
Fair value derivatives	22	308	-	308	-
		359	77	359	61

Trade receivables are shown net of impairment losses of \$201,000 (2005: \$60,000).

10. Inventories

	Consolidated		Company	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Finished goods	25,890	5,036	-	-
	25,890	5,036	-	-

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

11. Non-current assets held for sale

In April 2006, the consolidated entity acquired all the shares in Adelaide Signage Pty Ltd, as part of the acquisition of a larger company, Torrens Trading Pty Limited. At the time of acquisition the consolidated entity management decided that the Adelaide Signage business was not complimentary to the activities of the Group and would be sold. A sale is expected by 31 December 2006. At 30 June 2006 the disposal group comprised assets of \$998,000 less liabilities of \$222,000 (excluding amounts due to controlled entities of \$474,000) the carrying amount of the disposal group is \$612,000 at 30 June 2006.

Assets classified as held for sale:

Property, plant and equipment
Inventory
Trade and other receivables
Intangible assets

Consolidated 2006 \$000
125
410
311
152
998

Liabilities classified as held for sale:

Trade and other payables
Income tax payable
Provisions

Consolidated 2006 \$000
157
33
32
222

12. Investments

	Note	Consolidated		Company	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Non-current					
Investments in controlled entities - at cost	25	-	-	79,599	15,853
		-	-	79,599	15,853

13. Current tax assets and liabilities

The current tax liability for the consolidated entity of \$5,115,000 (2005: \$369,000) represents the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability initially recognised by the members in the tax-consolidated group.

Included in the income tax payable balance of \$5,115,000 for the year ended 30 June 2006 is an amount of \$3,819,000 representing, unpaid taxes, penalties and a general interest charge in respect of Australian Safety Specialists Pty Ltd and World Wide Sales and Imports Pty Limited, two companies acquired during the year. The amount payable of \$3,819,000 relates to the period prior to acquisition and is subject to the representation and warranty provisions of the share sale agreement. A corresponding asset of \$3,819,000 is included in trade and other receivables (note 9) representing the amount due to the company from the vendors under the share sale agreement. (Refer to note 28). This liability was settled subsequent to year end.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

14. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated

	Assets		Liabilities		Net	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Property, plant and equipment	(34)	-	-	-	(34)	-
Trade debtors	(61)	(18)	-	-	(61)	(18)
Business combinations	-	-	120	-	120	-
Inventories	(538)	-	-	-	(538)	-
Provisions	(107)	-	-	-	(107)	-
Employee benefits	(635)	(105)	-	-	(635)	(105)
Interest derivative hedge reserve	-	-	86	-	86	-
Other	(265)	(7)	-	-	(265)	(7)
Net tax (assets) liabilities	(1,640)	(130)	206	-	(1,434)	(130)

Company

	Assets		Liabilities		Net	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Employee benefits	(4)	-	-	-	(4)	-
Interest derivative hedge reserve	-	-	86	-	86	-
Tax losses	(1,048)	-	-	-	(1,048)	-
Net tax (assets) liabilities	(1,052)	-	86	-	(966)	-

Jeminex Pty Ltd and its controlled entities
Notes to the consolidated financial statements

14. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

	Consolidated					Company				
	Balance 26 April 2005 \$000	Acquired balances \$000	Recognised in income \$000	Recognised in equity \$000	Balance 30 June 05 \$000	Balance 26 April 2005 \$000	Recognised in income \$000	Recognised in equity \$000	Balance 30 June 05 \$000	
Trade debtors	-	-	(18)	-	(18)	-	-	-	-	
Employee benefits	-	-	(105)	-	(105)	-	-	-	-	
Other	-	-	(7)	-	(7)	-	-	-	-	
	-	-	(130)	-	(130)	-	-	-	-	

	Consolidated					Company				
	Balance 1 July 2005 \$000	Acquired balances \$000	Recognised in income \$000	Recognised in equity \$000	Balance 30 June 06 \$000	Balance 1 July 2005 \$000	Recognised in income \$000	Recognised in equity \$000	Balance 30 June 06 \$000	
Property, plant and equipment	-	219	(253)	-	(34)	-	-	-	-	
Trade debtors	(17)	(14)	(30)	-	(61)	-	-	-	-	
Business combinations	-	-	-	120	120	-	-	-	-	
Inventories	-	(278)	(260)	-	(538)	-	-	-	-	
Provisions	-	(219)	112	-	(107)	-	-	-	-	
Employee benefits	(105)	(208)	(322)	-	(635)	-	(4)	-	(4)	
Interest derivative hedge reserve	-	-	-	86	86	-	-	86	86	
Other	(8)	(96)	(161)	-	(265)	-	-	-	-	
Tax losses	-	-	-	-	-	-	(1,048)	-	(1,048)	
	(130)	(596)	(914)	206	(1,434)	-	(1,052)	86	(966)	

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

15. Property, Plant and equipment

	Consolidated					Company		
	Leasehold Improvements \$000	Plant and equipment \$000	Office equipment \$000	Motor vehicles \$000	Total \$000	Office equipment \$000	Motor vehicles \$000	Total \$000
Cost								
Balance at 26 April 2005	-	-	-	-	-	-	-	-
Acquisitions through business combinations	128	1,118	400	1,394	3,040	-	-	-
Other acquisitions	-	-	4	-	4	-	-	-
Balance at 30 June 2005	128	1,118	404	1,394	3,044	-	-	-
Balance at 1 July 2005	128	1,118	404	1,394	3,044	-	-	-
Acquisitions through business combinations	273	2,661	342	1,032	4,308	-	-	-
Other acquisitions	131	453	724	882	2,190	358	49	407
Disposals	-	(14)	(5)	(256)	(275)	-	-	-
Transfer to assets held for sale	-	(38)	(57)	(30)	(125)	-	-	-
Balance at 30 June 2006	532	4,180	1,408	3,022	9,142	358	49	407

Jeminex Pty Ltd and its controlled entities
Notes to the consolidated financial statements

15. Property, plant and equipment – (continued)

	Leasehold Improvements \$000	Plant and equipment \$000	Consolidated			Company		
			Office equipment \$000	Motor vehicles \$000	Total \$000	Office equipment \$000	Motor vehicles \$000	Total \$000
Depreciation and impairment losses								
Balance at 26 April 2005	-	-	-	-	-	-	-	-
Depreciation charge for the year	3	18	11	37	69	-	-	-
Acquired through business combinations	19	654	199	416	1,288	-	-	-
Balance at 30 June 2005	22	672	210	453	1,357	-	-	-
Balance at 1 July 2005	22	672	210	453	1,357	-	-	-
Depreciation charge for the year	68	446	191	424	1,129	41	-	41
Disposals	-	(4)	(5)	(202)	(211)	-	-	-
Reclassification	-	(211)	86	125	-	-	-	-
Balance at 30 June 2006	90	903	482	800	2,275	41	-	41
Carrying amounts								
At 26 April 2005	-	-	-	-	-	-	-	-
At 30 June 2005	106	446	194	941	1,687	-	-	-
At 1 July 2005	106	446	194	941	1,687	-	-	-
At 30 June 2006	442	3,277	926	2,222	6,867	317	49	366

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

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

Leased plant and machinery

The consolidated entity leases equipment/vehicles under a number of finance lease agreements. At the end of each of the leases the consolidated entity has the option to purchase the equipment. At 30 June 2006, the net carrying amount of leased plant and machinery was \$736,000 (2005: \$70,000). The leased equipment secures lease obligations (see note 18).

Jeminex Pty Ltd and its controlled entities
Notes to the consolidated financial statements

16. Intangible assets

	Note	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
Cost												
Balance at 26 April 2005		-	-	-	-	-	-	-	-	-	-	-
Acquisitions through business combinations		3,704	74	323	5,180	2,004	987	-	-	-	3	12,275
Balance at 30 June 2005		3,704	74	323	5,180	2,004	987	-	-	-	3	12,275
Balance at 1 July 2005		3,704	74	323	5,180	2,004	987	-	-	-	3	12,275
Acquisitions through business combinations	26	23,134	255	950	10,015	-	1,293	76	234	5,055	93	41,105
Transfer to assets held for sale		(152)	-	-	-	-	-	-	-	-	-	(152)
Balance at 30 June 2006		26,686	329	1,273	15,195	2,004	2,280	76	234	5,055	96	53,228

Jeminex Pty Ltd and its controlled entities
Notes to the consolidated financial statements

16. Intangible assets (continued)

	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
Amortisation and impairment losses											
Balance at 26 April 2005	-	-	-	-	-	-	-	-	-	-	-
Amortisation for the year	-	9	8	122	50	40	-	-	-	-	229
Balance at 30 June 2005	-	9	8	122	50	40	-	-	-	-	229
Balance at 1 July 2005	-	9	8	122	50	40	-	-	-	-	229
Amortisation for the year	-	145	118	1,232	200	342	5	14	-	35	2,091
Balance at 30 June 2006	-	154	126	1,354	250	382	5	14	-	35	2,320
Carrying amounts											
At 26 April 2006	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2005	3,704	65	315	5,058	1,954	947	-	-	-	3	12,046
At 1 July 2005	3,704	65	315	5,058	1,954	947	-	-	-	3	12,046
At 30 June 2006	26,686	175	1,147	13,841	1,754	1,898	71	220	5,055	61	50,908

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

16. 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	
	2006 \$000	26 April 2005 to 30 June 2005 \$000	2006 \$000	26 April 2005 to 30 June 2005 \$000
Other operating expenses	2,091	229	-	-
	2,091	229	-	-

Impairment tests for goodwill

The recoverable amount of goodwill is based on value in use calculations. Those calculations use cash flow projections based on actual operating results. Cash flows for a 10 year period are used with following key assumptions:

- Post-tax discount rate – 16%
- Growth rates – 5% to 10%

The recoverable amount of goodwill exceeds its carrying amount. Any adverse changes in assumptions could reduce the recoverable amount below carrying amount.

17. Trade and other payables

Note	Consolidated		Company	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Current				
Trade payables and accruals	18,744	4,114	-	-
Non-trade payables and accruals	2,507	537	625	166
Fair value derivatives	23	-	23	-
Loans from controlled entities	-	-	3,612	-
	21,274	4,651	4,260	166

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

18. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the consolidated entity's interest-bearing loans and borrowings. For more information about the consolidated entity's exposure to interest rate and foreign currency risk, see note 22.

	Consolidated		Company	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Current liabilities				
Secured				
Bank overdraft	4,244	-	3,435	-
Cash advance facility	5,700	-	5,700	-
Finance lease liabilities	357	27	-	-
	10,301	27	9,135	-
Non-current liabilities				
Secured				
Cash advance facility	43,401	8,877	43,401	8,127
Capitalised borrowing costs	(865)	(301)	(865)	(301)
Finance lease liabilities	226	12	-	-
	42,762	8,588	42,536	7,826

Financing facilities

	Consolidated	
	2006 \$000	2005 \$000
Bank overdraft	3,200	-
Cash advance facility	50,277	8,877
Finance lease facility	1,500	539
Bank guarantee facility	800	-
	55,777	9,416

Facilities utilised at reporting date

Bank overdraft subject to set-off arrangements	1,297	-
Cash advance facility	49,101	8,877
Finance lease facility	583	39
Bank guarantee facility	742	-
	51,723	8,916

Facilities not utilised at reporting date

Bank overdraft	1,903	-
Cash advance facility	1,176	-
Finance lease facility	917	500
Bank guarantee facility	58	-
	4,054	500

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

18. Interest-bearing loans and borrowings (continued)

Financing arrangements

Bank overdrafts

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 overdrafts is charged at the Bank Bill Overdraft rate "BBOR" plus a margin of 1.40%.

The bank overdraft is payable on demand and is subject to annual review.

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 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 \$1,425,000 from 30 September 2006. The cash advance facility was subject to quarterly principal repayments of \$1,175,000 during the financial year. The loans bear interest at the banks' base rate plus 2.15% (2005: base rate plus 2.15%)

A hedging instrument with a nominal value of \$37,800,000 (2005: \$7,850,000) was in place at 30 June 2006, which fixes the underlying base rate of this amount of the entity's debt at a rate between 5.86% and 6.03%.

Finance lease facility

The finance lease facility is secured by the asset financed. The interest rate is 7.2% (2005: 8.0%).

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

18. Interest-bearing loans and borrowings (continued)

Finance lease facility

The consolidated entity's lease liabilities are secured by the leased assets of \$736,000 (2005: \$ 70,000), 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					
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	\$000	\$000	\$000	\$000	\$000	\$000
	2006	2006	2006	2005	2005	2005
Less than one year	387	30	357	29	2	27
Between one and five years	253	27	226	13	1	12
More than five years	-	-	-	-	-	-
	640	57	583	42	3	39

19. Employee benefits

Current

	Consolidated		Company	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Liability for annual leave	1,283	349	7	-
	1,283	349	7	-

Non current

Liability for long-service leave	658	-	-	-
Total employee benefits	658	-	-	-

Defined contribution superannuation funds

The consolidated entity makes contributions to a defined contribution superannuation fund. The amount recognised as expense was \$1,172,000 for the financial year ended 30 June 2006 (2005: \$71,000).

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

20. Provisions

	Lease make- good \$000	Rebates/ Commissions \$000	Total \$000
Consolidated			
Balance at 1 July 2005	67	-	67
Acquired through business combinations during the year	288	131	419
Balance at 30 June 2006	<u>355</u>	<u>131</u>	<u>486</u>
Current	-	131	131
Non-current	<u>355</u>	<u>-</u>	<u>355</u>
	<u>355</u>	<u>131</u>	<u>486</u>
Company			
Balance at 1 July 2005 and 30 June 2006	<u>-</u>	<u>-</u>	<u>-</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.

21. Capital and reserves

Share capital

<i>In thousands of shares</i>	Company			
	Ordinary shares		Preference shares	
	2006	2005	2006	2005
On issue at 1 July	4,991	-	9,029	-
Issued as consideration for business combinations	4,074	-	8,950	-
Issued for cash	685	4,991	-	9,029
On issue at 30 June – fully paid	<u>9,750</u>	<u>4,991</u>	<u>17,979</u>	<u>9,029</u>

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, 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 residual assets. In respect of the Company's shares that are held by the consolidated entity (see below), all rights are suspended until those shares are reissued.

The holders of preference shares have the right to receive cumulative dividends equal to 12% of the amount outstanding which accrues on a daily basis from the date of issue of the share. 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.

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.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

21. Capital and reserves (continued)

Dividends

Dividend franking account

30 per cent franking credits available to shareholders of Jeminex Pty Ltd for subsequent financial years

Company	
2006	2005
\$000	\$000
12,578	1,742

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. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by \$nil (2005: \$nil). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of \$12,578,000 (2005: \$1,742,000) franking credits.

22. 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.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The consolidated entity does not require collateral in respect of financial assets.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the consolidated entity. Transactions involving derivative financial instruments are with counterparties with whom the consolidated entity has a signed netting agreement as well as sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

22. Financial instruments (continued)

Interest rate risk

Hedging

The consolidated entity adopts a policy of ensuring that 75 per cent of its exposure to changes in interest rates on borrowings under the cash advance facility is on a fixed rate basis. Interest rate swaps, denominated in Australian dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the consolidated entity's policy. The swaps mature on 29 April 2010, following the maturity of the related loans (see the following table) and have fixed swap rates ranging from 5.55% to 6.33%. At 30 June 2006, the consolidated entity had interest rate swaps with a notional contract amount of \$37,800,000 (2005: \$7,850,000).

The consolidated entity classifies interest rate swaps as cash flow hedges and states them at fair value.

The net fair value of swaps at 30 June 2006 was \$286,000 (2005: \$nil) comprising assets of \$309,000 (2005: \$nil) and liabilities of \$23,000 (2005: \$nil). These amounts were recognised as fair value derivatives.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

22. **Financial instruments (continued)**

Foreign currency risk

The consolidated entity is exposed to foreign currency risk on purchases that are denominated in a currency other than the AUD. The currencies giving rise to this risk are primarily United States Dollars and Euros.

The consolidated entity does not hedge trade payables denominated in a foreign currency.

Example Public Company and its controlled entities

Notes to the consolidated financial statements

22. Financial instruments (continued)

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

Consolidated	Note	Carrying amount	Fair value	Carrying amount	Fair value
		2006 \$000	2006 \$000	2005 \$000	2005 \$000
Trade and other receivables	9	28,242	28,242	7,840	7,840
Cash and cash equivalents	8	2,947	2,947	1,595	1,595
Interest rate swaps:					
Assets	9	308	308	-	-
Liabilities	16	(23)	(23)	-	-
Finance lease liabilities	18	(583)	(583)	(39)	(39)
Loan from associate	17				
Cash advance facility	18	(49,101)	(49,101)	(8,877)	(8,877)
Trade and other payables	16	(21,251)	(21,251)	(4,651)	(4,651)
Bank overdraft	8	(4,244)	(4,244)	-	-
		(43,705)	(43,705)	(4,132)	(4,132)
Unrecognised (losses) gains		-	-	-	-
Company					
	Note	Carrying amount	Fair value	Carrying amount	Fair value
		2006 \$000	2006 \$000	2005 \$000	2005 \$000
Loans to controlled entities	9	2,976	2,976	6,207	6,207
Trade and other receivables	9	193	193	20	20
Cash and cash equivalents	8	2,517	2,517	81	81
Interest rate swaps:					
Assets	9	308	308	-	-
Liabilities	16	(23)	(23)	-	-
Cash advance facility		(49,101)	(49,101)	(8,127)	(8,127)
Loans from controlled entities	16	(3,612)	(3,612)	-	-
Trade and other payables	16	(625)	(625)	(166)	(166)
Bank overdraft	8	(3,435)	(3,435)	-	-
		(50,802)	(50,802)	(1,985)	(1,985)
Unrecognised (losses) gains		-	-	-	-

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

22. Financial instruments (continued)

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Derivatives

For interest rate swaps broker quotes are used. Those quotes are back tested using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

Trade and other receivables / payables

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

23. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		Company	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Less than one year	2,737	453	-	-
Between one and five years	5,249	1,518	-	-
More than five years	-	-	-	-
	7,986	1,971	-	-

During the financial year ended 30 June 2006, \$1,941,000 was recognised as an expense in the income statement in respect of operating leases (2005: \$80,000).

24. 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	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Contingent liabilities considered remote				
<i>Guarantees</i>				
The Company has guaranteed the rent of a certain subsidiary.	406	-	406	-
The Company has guaranteed lease facilities of a subsidiary:	336	-	336	-

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

25. Consolidated entities

	<i>Note</i>	Country of Incorporation	Ownership interest 2006	Ownership interest 2005
Parent entity				
Jeminex Pty Ltd				
Subsidiaries				
Heatley Sales Pty Limited	26	Australia	100	100
Australian Safety Specialists Pty Limited	26	Australia	100	-
Worldwide Sales and Imports Pty Limited	26	Australia	100	-
Beaver Sales Pty Limited	26	Australia	100	-
Total Trade Supplies Pty Limited	26	Australia	100	-
Beaver Sales (NZ) Limited	26	New Zealand	100	-
Adelaide Signage Pty Ltd	26	Australia	100	-
Torrens Trading Pty Limited	26	Australia	100	-

26. Acquisitions of subsidiaries

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

	Acquisition date	% voting shares acquired	Business activities
Heatley Sales Pty Limited	29 April 2005	100	Importation and conversion of industrial supplies.
Total Trade Supplies Pty Limited	27 October 2005	100	Distribution of power hand tools.
Beaver Sales Pty Limited, Beaver Sales (NZ) Limited	27 October 2005	100	Importation and manufacture of lifting and rigging equipment.
Australian Safety Specialists Pty Limited	2 August 2005	100	Sale of safety clothing and equipment.
World Wide Sales and Import Pty Limited	2 August 2005	100	Importation and sale of protective products and safety clothing.
Adelaide Signage Pty Limited	20 April 2006	100	Manufacture and supply of traffic safety signs.
Torrens Trading Pty Limited	30 April 2006	100	Manufacture and distribution of industrial safety equipment.

Effect of acquisitions

The acquisitions had the following effect on the consolidated entity's assets and liabilities.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

26. Acquisitions of subsidiaries (continued)

	Carrying amounts \$000	Fair value adjustments \$000	Recognised value \$000
Property, plant and equipment	3,908	400	4,308
Deferred tax assets	685	222	907
Intangible assets	173	17,798	17,971
Inventory	19,073	(1,517)	17,556
Trade debtors and other receivables	18,050	-	18,050
Cash and cash equivalents	650	-	650
Trade and other payables	(20,442)	(275)	(20,717)
Net identifiable assets and liabilities	22,097	16,628	38,725
Goodwill on acquisition			23,134
Consideration paid, satisfied in cash*			43,946
Cash (acquired)			(650)
Net cash outflow			43,296
Consideration paid, satisfied in preference shares			8,950
Consideration paid, satisfied in ordinary shares			8,963
Total consideration			61,209

* Includes legal fees and other costs amounting to \$1,033,000

Goodwill has arisen on the acquisition of entities during the year as customer relationships only partly meet the criteria for recognition as an intangible asset at the date of acquisition.

27. Reconciliation of cash flows from operating activities

Note	Consolidated		Company	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Cash flows from operating activities				
Profit (loss) for the period	1,551	340	(2,499)	(87)
<i>Adjustments for:</i>				
Profit on disposal of assets	(12)	-	-	-
Depreciation	13	69	41	-
Amortisation of formation expenses	13	1	-	-
Amortisation of intangible assets	14	229	13	2
Amortisation of borrowing costs	137	13	137	10
Interest expense	6	3,070	112	2,807
Interest received	(42)	(2)	(14)	(3)
Income tax expense	7	1,198	262	(1,052)
Operating profit before changes in working capital and provisions	9,135	1,024	(567)	(7)
Decrease (increase) in trade and other receivables	722	(541)	(136)	(1)
Decrease (increase) in inventories	(3,000)	(67)	-	-
(Decrease) increase in trade and other payables	(34)	885	76	5
Increase (decrease) in provisions	381	138	7	-
	7,204	1,439	(620)	(3)
Interest received	42	2	14	2
Interest paid	(2,920)	(112)	(2,658)	-
Income taxes paid	(2,985)	-	-	-
Net cash from operating activities	1,341	1,329	(3,264)	(1)

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

28. Key management personnel disclosures

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Executive directors

Kevin Clarke (Executive Chairman, appointed 16 June 2006)

Non-executive directors

Geoff Heatley (Deputy Chairman)

Chris Di Losa (Appointed 27 October 2005)

Peter Ludemann (Appointed 3 August 2006)

William Cook (Resigned 3 August 2006)

Paul Ready (Resigned 3 August 2006)

David Waller (Appointed 2 August 2005). David Waller is Managing Director of Worldwide Sales and Imports Pty Limited

The following executives were Non-executive Directors of Jeminex Pty Ltd during the year:

Philip Waller (Appointed 2 August 2005, resigned 3 September 2006). Philip Waller is General Manager of Australian Safety Specialists Pty Limited

Jason Varone (Appointed 27 October 2005, resigned 3 September 2006). Jason is Managing Director of Beaver Sales Pty Limited.

Salvatore Barbaro (Resigned 5 September 2005). Salvatore Barbaro is the General Manager of Heatley Sales Pty Limited.

The Chief Financial Officer and Company Secretary of Jeminex Pty during the financial year was Mr Michael Franklin. He resigned from the Company on 30 September 2006.

The key management personnel compensation included in 'personnel expenses' (see note 4) are as follows:

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Short-term employee benefits	710,710	29,119	17,337	-
Post-employment benefits	73,716	2,536	6,125	-
	784,426	31,655	23,462	-

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

28. Key management personnel disclosures for disclosing entities (continued)

Movements in shares

The movement during the reporting period in the number of ordinary shares in Jeminex Pty Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2005	Purchases	Held at 30 June 2006
Directors			
Geoff Heatley	840,000	-	840,000
David Waller	-	896,661	896,661
Chris Di Losa	-	1,482,613	1,482,613
Executives			
Phil Waller	-	896,661	896,661
Jason Varone	-	156,036	156,036
Salvatore Barbaro	120,000	-	120,000
Michael Franklin	-	90,000	90,000

No ordinary shares were granted to key management personnel during the reporting period as compensation.

The movement during the reporting period in the number of Series A Preference shares in Jeminex Pty Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2005	Purchases	Held at 30 June 2006
Directors			
Geoff Heatley	1,594,000	-	1,594,000
David Waller	-	1,947,869	1,947,869
Chris Di Losa	-	3,285,182	3,285,182
Executives			
Phil Waller	-	1,947,869	1,947,869
Jason Varone	-	101,083	101,083

No Series A Preference Shares were granted to key management personnel during the reporting period as compensation.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

28. Key management personnel disclosures

Loans to key management personnel and other related parties

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the consolidated entity to key management personnel and their related parties are as follows:

	Consolidated		Company	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Amounts due from directors	3,819	40	-	-

An amount of \$3,819,000 is due from related parties associated with Mr David Waller. This amount is due in respect of tax indemnity payments relating to the acquisition of Australian Safety Specialists Pty Limited and World Wide Sales and Imports Pty Limited. The amount due was settled subsequent to year end.

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

A number of key management persons 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	
			2006 \$000	2005 \$000	2006 \$000	2005 \$000
Geoff Heatley	Property rental	(i)	261	-	-	-
Salvatore Barbaro	Property rental	(i)	38	-	-	-
Geoff Heatley	Life insurance	(ii)	42	-	-	-
Geoff Heatley	Inventory purchase	(iii)	1,000	-	-	-
Chris Di Losa	Property rental	(i)	103	-	-	-
David Waller	Property rental	(i)	300	-	-	-
Phil Waller	Property rental	(i)	-	-	-	-

- (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 paid a life insurance premium for Mr Geoff Heatley under a key man life insurance policy.
- (iii) A subsidiary Company, Heatley Sales Pty Limited has acquired inventory from 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 Pty Ltd and its controlled entities

Notes to the consolidated financial statements

29. Non-key management personnel disclosures

Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries (see note 25) and with its key management personnel (see note 28).

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.

30. Subsequent events

Events subsequent to the reporting date include the following:

- In September 2006, the consolidated entity raised \$6,300,000 through the issue of convertible loan notes to four shareholders.
- In November 2006, the consolidated entity intends to raise \$25,000,000 through a Rights Issue to existing shareholders. The proceeds of this capital raising include the conversion to equity of the above convertible loan notes. The Board of Jeminex Pty Ltd is offering shares in Jeminex to raise up to \$3,954,000 through an Offer Information Statement and a further \$21,046,000 from eligible shareholders. The issue price of the shares is \$0.30. At the date of this report a total of \$18,731,000 has been received from eligible shareholders. The proceeds have been used to acquire the business assets of Network Packaging (see below) and to retire bank debt.
- In November 2006, the consolidated entity acquired the business assets of Network Packaging for approximately \$5,750,000. Network Packaging is involved in the business of Industrial Packaging.
- In October 2006, Mr Kevin Clarke acquired 517,877 ordinary shares in Jeminex Pty Ltd at \$0.30 per share. In addition, he was granted 517,877 ordinary options and 250,000 bonus options. The exercise price of each of these options is \$0.30.

Jeminex Pty Ltd and its controlled entities

Notes to the consolidated financial statements

31. Explanation of transition of AIFRSs

These are the consolidated entity's first consolidated financial statements prepared in accordance with AIFRSs. The policies set out in the significant accounting policies section of the consolidated entity's full financial report have been applied in preparing the financial statements for the financial year ended 30 June 2006 and the comparative information presented in these financial statements for the financial year ended 30 June 2005.

In preparing its opening AIFRS balance sheet, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is noted below.

- The consolidated entity has applied AASB 3 to all business combinations since 29 April 2005, the company's incorporation date. An acquisition's fair value had been recognised provisionally during the year ended 30 June 2005, during the same year an adjustment was made to recognise a number of intangible assets identified per AASB 138 Intangible Assets. Accordingly, the intangible assets have been amortised according to their useful lives.

The effect on the consolidated entity is to reduce Intangible assets by \$229,000 and to increase amortisation expense by \$229,000 for the year ended 30 June 2005.

- An obligation exists to restore leased offices to their original condition. Under previous GAAP, the cost the restoration was recognised as an expense when incurred. In accordance with AIFRSs, the restoration costs should be recognised as a provision at the time of the obligating event.

The effect on the consolidated entity is to increase provisions by \$67,000 at 30 June 2005 and to increase rent expense by \$67,000 for the financial year ended 30 June 2005.

32. Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged in providing products (business segment) within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

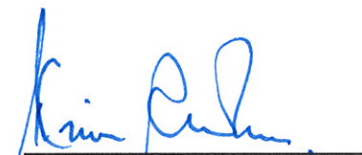
The Company operates within a single business and geographical segment, being the industrial market sector in Australia.

Directors' declaration

- 1 In the opinion of the directors of Jeminex Pty Ltd ('the Company'):
 - (a) the financial statements and notes set out on pages 6 to 51, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney 21st day of November 2006.

Signed in accordance with a resolution of the directors:



Kevin Clarke
Director

Independent audit report to the members of Jeminex Pty Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the income statements, statements of changes in equity, balance sheets, statements of cash flows, accompanying notes to the financial statements and the directors' declaration set out on pages 6 to 52 for both Jeminex Pty Ltd (the 'Company') and Jeminex Pty Ltd and its controlled entities (the 'consolidated entity'), for the financial year ended 30 June 2006. The consolidated entity comprises both the Company and the entities it controlled during that financial year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards*.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement.

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independent audit report to the members of Jeminex Pty Ltd (continued)

Audit opinion

In our opinion, the financial report of Jeminex Pty Ltd is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG



Tony Nimac
Partner

Sydney, 21 November 2006

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

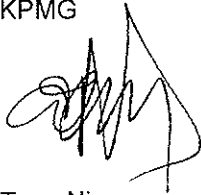
To: the directors of Jeminex Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- 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, larger signature or stamp.

Tony Nimac
Partner

Sydney

21 November 2006