

# **JEMINEX LIMITED**

ABN 49 113 973 087

**GENERAL PURPOSE FINANCIAL REPORT**  
**For the year ended 31 December 2009**

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## Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Jeminex Limited (the Company) and the entities it controlled at the end of, or during, the year ended 31 December 2009.

### DIRECTORS

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

Mr Kevin Clarke	(Appointed: 16 June 2006)
Mr Geoff Heatley	(Appointed: 29 April 2005)
Mr Greg Smith	(Appointed: 18 November 2008)
Mr Mark Allison	(Appointed: 23 May 2007, Resigned: 31 March 2009)
Mr Mark Luby	(Appointed: November 2007, Resigned: 6 February 2009)
Mr William (Liam) Forde	(Appointed: May 2008, Resigned: 6 February 2009)
Mr Jason Varone	(Appointed: 4 August 2010)

### Qualifications, experience and special responsibilities

#### ***Mr Kevin Clarke (Executive Chairman and Director)***

Kevin Clarke BSc (Eng), MBA, MAICD is Non-Executive Chairman of Jeminex Limited. He is also Non-Executive Chairman of National Fire Solution Pty Limited, a private equity backed property services companies in Australia.

Until 2006, Kevin was CEO of Alesco Corporation Limited for 11 years, a company that had grown from a market capitalisation of less than \$100 million to almost \$1 billion by the time he left.

Prior to that, he was CEO of Hudaco Industries Limited, a publicly listed manufacturer and distributor of branded industrial products servicing the industrial and mining sectors in South Africa.

Kevin has more than 30 years' experience in manufacturing and industrial marketing.

#### ***Mr Geoff Heatley (Deputy Chairman and Non-executive Director)***

Geoffrey Heatley was elected to the Jeminex Limited Board of Directors as Non- Executive Deputy Chairman in April 2005.

He is based in Canning Vale, Western Australia, and has more than 36 years' experience in the industrial consumables market.

#### ***Mr Greg Smith (Non-executive Director)***

Greg Smith was appointed as a Non-Executive Director of Jeminex Limited in November 2008.

Greg has over 25 years of experience in the private equity industry with specific skills in assessing the viability of a business and building business relationships. Greg is actively involved in the peak industry body, The Australian Private Equity & Venture Capital Association and was elected Chairman of that Association for the year 2002. Since joining AMP Capital Investors, Greg has invested in over 90 Private Equity investments.

#### ***Mr Mark Allison (Executive Director and Chief Executive Officer)***

Mark Allison B Agr Sc, B Econ, GDM, FAICD was appointed Chief Executive Officer of Jeminex on 23 May 2007 and resigned on 31 March 2009.

## Directors' Report (continued)

### DIRECTORS (continued)

#### Qualifications, experience and special responsibilities (continued)

##### *Mr Mark Luby (Non-executive Director)*

Mark Luby was appointed as a Non-Executive Director to the Jeminex Board in November 2007 and resigned on 6 February 2009.

##### *Mr William (Liam) Forde (Non-executive Director)*

Liam Forde was appointed as a Non Executive Director to the Jeminex Board in May 2008 and resigned on 6 February 2009.

##### *Mr Jason Varone (Executive Director and Chief Operating Officer)*

Jason is the Chief Operating Officer of Jeminex Limited, and prior to this held the position of Divisional General Manager for the Lifting, Rigging & Height Safety Division of Jeminex. He has been involved in the Group for over 9 years. Jason is also a Director of the Fall Protection Manufacturers Association, an industry body representing the height safety industry.

### COMPANY SECRETARY

#### *Mr Dean Taylor*

Mr Dean Taylor CA FCIS has been the Company Secretary of Jeminex Limited from 29 July 2008. Dean has been a Chartered Accountant for over 20 years and Chartered Secretary for over 15 years.

### DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year, nor do the directors recommend the declaration of a dividend.

### PRINCIPAL ACTIVITIES

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

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

### OPERATING AND FINANCIAL REVIEW

#### Group overview

The 2009 year began at a time of great uncertainty in long term financial markets which gave rise to concern over the leveraged balance sheet of the company. In response to this concern, Jeminex's majority shareholder, the AMP Group, made a \$20m loan to the company on 23rd February 2009 as part of a refinancing agreement with its banking syndicate and vendors. This had the effect of converting short term liabilities into quasi-equity long term capital thereby providing funding certainty to all stakeholders.

At the operating level Jeminex anticipated a tough year ahead and took appropriate action. This included:

- significant cost reduction, both at head office and in the operations, through a head count reduction of over 10%, the introduction of a 9 day fortnight;
- cutbacks on purchasing and focus on stock reduction; and
- increased prices to preserve margin as a result of a fall in the AUD\$.

The slowdown also provided Jeminex with an opportunity to focus on the standardisation of systems and improving operational efficiency following years of multiple acquisitions.

## Directors' Report (continued)

### OPERATING AND FINANCIAL REVIEW (continued)

By year's end, Jeminex had survived a substantial slowdown in its end markets, with a decline in sales and profitability of around 15%, and in spite of this, managed to repay over \$20m of bank debt. As a result of the work done through the year the company has now fully adjusted to the new operating environment and is well positioned to benefit from renewed growth opportunities.

#### Summarised operating performance

In order to reflect the underlying trading performance of the Group, reported EBITA has been adjusted to enable comparison with the prior year on a like for like basis. Adjusted Profit from continuing operations before tax, interest, amortisation and restructuring costs was \$22m (2008: \$26m).

STATEMENT OF COMPREHENSIVE INCOME		
	2009*	2008*
Sales	260	300
Gross Profit	102	121
GP%	39%	40%
Net Expenses	(76)	(90)
<b>EBITDA</b>	<b>26</b>	<b>30</b>
Depreciation	(4)	(4)
<b>EBITA</b>	<b>22</b>	<b>26</b>
* Normalised, like-for-like		

#### Highlights

- Growth in Lifting & Rigging and Electrical Divisions;
- Consolidation of the Workwear & Personal Safety division into one effective unit following a series of acquisitions;
- Leaner organisation structure with reduced corporate Head Office expenses and headcount;
- Reduced working capital requirements;
- Strong free cash flow (FCF), which resulted in a \$20m reduction in the cash advance facility.

### Operating Results for the Year

#### Revenue

The global financial crisis (GFC) had a negative impact on demand in our key sectors, particularly resources, for much of 2009. As a result, it was difficult to achieve the expected sales targets for 2009 and sustain the growth rates experienced in prior years.

#### Gross profit

Underlying gross profit improved, despite pressure from a more competitive market and increased costs as a result of a weaker AUD.

#### Expenses

Expenses were reduced substantially in early 2009. This was achieved through headcount reductions, streamlining of Head Office, and a nine day fortnight put into place in most businesses. The effect was that operating expenses reduced from \$95m in 2008 to \$81m in 2009.

#### Changes in estimates

During the year, impaired inventory was identified relating to stock purchased or acquired from acquisitions in prior years. Additional provisions for this stock were made in 2009 and have been included in the 2009 results, but do not relate to the trading performance of 2009. For the purpose of accurate comparison, these have been normalised to assist in understanding of performance between 2008 and 2009.

## Directors' Report (continued)

### OPERATING AND FINANCIAL REVIEW (continued)

#### Review of financial condition

The Group's financial position has improved during 2009; as a result of AMP's cash injection, and strong operational cash-flows. The Group has a clear debt reduction strategy, resulting in capital repayments to the banking Syndicate (comprising of Westpac Banking Corporation, Commonwealth Bank of Australia and Bank of Scotland International) and previous vendors. Reductions have subsequently been made to year end and further are planned.

#### Debt Structure

The net bank finance has reduced to \$132m (2008: \$152m), a reduction of \$20m during the year.

Loans & Borrowings		
	2009	2008
<b>Net Bank Finance</b>	<b>132</b>	<b>152</b>
<b>Long Term Shareholder Loans *</b>		
<i>AMP Life Ltd</i>	24	-
<i>Preference Shares</i>	29	26
<i>Vendor Loans</i>	14	24
<b>Net Shareholder Loans</b>	<b>67</b>	<b>50</b>
<i>* Non redeemable</i>		

The Group plans further reductions in 2010 from excess cash being generated from operational cash flow and working capital reductions. Discussions commenced subsequent to year end with the Syndicate for renewal and extension of the facility which were successfully completed prior to the signing of this report. The Facilities were extended for a further 2 year period ending 31 August 2012.

As a result of the renewal occurring subsequent to year end, the Cash Advance Facility has been classified as current, and results in current liabilities exceeding current assets by \$75m. Had the negotiations with the banking syndicate been completed prior to year end, current assets would exceed current liabilities by \$52m (2008: \$33m). This is a significant improvement in the financial condition of the Group despite the uncertainty experienced at the commencement of 2009.

#### Liquidity and capital resources

The Consolidated Statement of Cash Flows illustrates an improved position from 2008, with \$11m (2008: \$8m) generated from operational cash flows. The improvement is largely a result of strong working capital management, particularly focused on inventory reduction. This increase in operational cash flows has been offset with increased cash used in debt reduction.

#### Highlights:

- Gross Inventory levels were reduced by \$11m;
- Trade creditors and other payables were reduced by \$8m;
- Bank Syndicate cash advance facility was repaid \$20.4m during the year;
- Vendor earn-out liability was reduced by \$9.2m;
- AMP Life Ltd loan of \$20.0m received in February 2009.

## Directors' Report (continued)

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### OPERATING AND FINANCIAL REVIEW (continued)

#### Operating results for the year

The loss after tax of the Group for the year ended 31 December 2009 was \$13,817,000 (2008: loss of \$41,017,000).

The loss after tax of the Company for the year ended 31 December 2009 was \$11,452,000 (2008: loss of \$32,524,000).

#### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

On 31 December 2008, Mark Allison resigned as CEO of the Group effective from 31 March 2009. The role of CEO was assumed by Mr Kevin Clarke who was appointed as Executive Chairman.

As at 31 December 2008, the Group breached certain banking conditions and covenants in relation to its cash advance facility as a result of the downturn in financial performance. Negotiations between the Group, bankers and major shareholders, resulted in additional funding from AMP Life Limited and amendments and extension of the cash advance facility.

On 6 February 2009, the Company received a waiver from the banking syndicate in relation to several covenant breaches at 31 December 2008. This was ratified with the new banking arrangements commencing from 23 February 2009.

In February 2009, the Company renegotiated the terms of the majority of their deferred consideration commitment with the former vendors of Addrill Pty Ltd, Jeminex Lifting & Rigging Pty Ltd, Energy Correction Options Pt Ltd and Pacific Drilling & Blasting Pty Ltd. The repayment of these amounts has been deferred to the occurrence of a liquidity event (defined as either an Initial Public Offering [IPO] or a trade sale).

On 23 February 2009 AMP Life Limited a significant shareholder entered into a subordinated loan agreement with the Company, whereby an additional \$20 million was made available to fund the day to day operations of the group. This loan is secured against the current and future assets of the Company, but does not take priority over the existing syndicate facility in place at 31 December 2008. This subordinate loan expires on the occurrence of a liquidity event (defined as either an Initial Public Offering [IPO] or a trade sale). Interest payments on the facility are deferred until the occurrence of a liquidity event.

The Company restructured the Corporate Head Office resulting in a number of redundancies. The Corporate Head Office relocated to smaller premises more suitable for its refocused responsibilities.

#### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Subsequent to year end and before the completion of these financial accounts, the Company was able to renegotiate the terms and conditions of the cash advance facility. The bank syndicate comprising of Westpac Banking Corporation, Commonwealth Bank of Australia and Bank of Scotland International, will continue to provide facilities through to 31 August 2012. The facility is subject to fixed amortisation rates aligned with cash-flows and covenants in relation to gearing, interest cover and debt service ratios.

Other than the 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 Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## Directors' Report (continued)

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group will continue with the objective to improve shareholder value through its strategy of organic revenue from the specialised market segments it operates within. This will be delivered through branch network expansion. This achievement will not be done at the cost of margin, and is committed to improved margin management, and obtaining efficiencies from group synergies and aligning the group business units with its customers.

### Outlook

In the last months of 2009 signs that our end markets were beginning to grow again became apparent. The awarding of a number of new contracts - Cotter Dam, Country Energy and Bechtel has provided further evidence of an improving trend. This back drop, together with the streamlined organisation, has positioned Jeminex for good growth in 2010. The cash generative characteristics of the company should also deliver strong cash-flow and result in further debt reduction during the year.

### *Trading to August 2010*

At the time of signing this report, 8 months of 2010 had been completed, with both sales and profitability on budget. This is an increase in 2009 and very similar to 2008 levels. Cash generation has been strong and bank debt has been reduced by \$9m. This strong cash generation has assisted the Company to renegotiate bank facilities through to August 2012.

Further information about likely developments in the operations of the Group 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 AND PERFORMANCE

The Group is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory. However, the directors believe that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

### SHARE OPTIONS

The details of share options granted to directors and officers of the Company are disclosed in note 23.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the directors and executive officers for any breach of environmental or discrimination laws by the Company for which they may be held personally liable. The agreement provides for the Company to fully indemnify provided that:

- (a) The liability does not arise out of conduct involving a lack of good faith.
- (a) The liability is for costs and expenses incurred by the director or officer in defending proceedings in which judgement is given in their favour or in which they are acquitted.

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the directors of Jeminex Limited against legal costs incurred in defending proceedings for conduct involving:

- (a) A wilful breach of duty.
- (b) A contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid was \$43,773 for the period 27 November 2008 to 30 April 2010. The policy has a limited liability of \$20m, after which, the Company will indemnify any shortfall.

## Directors' Report (continued)

### DIRECTORS' MEETINGS

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

Director	Board meeting	
	A	B
Mr Kevin Clarke	10	10
Mr Geoff Heatley	10	8
Mr Greg Smith	10	9
Mr Mark Allison	2	-
Mr Mark Luby	2	1
Mr William (Liam) Forde	2	1
Mr Jason Varone	-	-

A - Number of meetings held during the time the director held office during the year

B - Number of meetings attended

### ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC CO 98/0100. The Company is an entity to which the Class Order applies.

### AUDITOR INDEPENDENCE

The directors received an independence declaration from the auditor, Ernst & Young. A copy has been included on page 9 of the report.

Signed in accordance with a resolution of the directors.

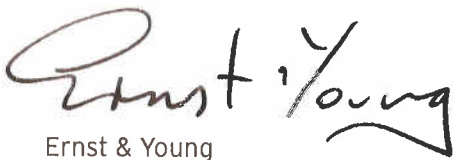


Mr Kevin Clarke  
Chairman

Sydney, 29 September 2010

## Auditor's Independence Declaration to the Directors of Jeminex Limited

In relation to our audit of the financial report of Jeminex Limited for the financial year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Greg Logue  
Partner  
Sydney

Date: 29 September 2010

# Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Continuing operations</b>					
Sale of goods		239,734	267,253	-	-
Rendering of services		20,459	24,714	-	-
Other revenue	5(a)	169	1,041	153	884
<b>Revenue</b>		<b>260,362</b>	<b>293,008</b>	<b>153</b>	<b>884</b>
Cost of sales		(158,897)	(178,591)	-	-
<b>Gross profit</b>		<b>101,465</b>	<b>114,417</b>	<b>153</b>	<b>884</b>
Other income	5(b)	3,978	2,094	-	-
Distribution expenses		(6,514)	(5,256)	-	-
Marketing expenses		(1,649)	(1,453)	(5)	(27)
Occupancy expenses		(10,146)	(8,726)	(93)	(122)
Selling and administrative expenses		(19,908)	(30,069)	(2,686)	(8,286)
Employee benefits expense	5(c)	(44,794)	(47,962)	(2,223)	(2,181)
Other expenses	5(d)	(11,011)	(47,420)	(655)	(22,637)
Finance costs	5(e)	(24,705)	(16,280)	(13,984)	(3,720)
<b>Loss before tax</b>		<b>(13,284)</b>	<b>(40,655)</b>	<b>(19,493)</b>	<b>(36,089)</b>
Income tax (expense)/benefit	7	(533)	(362)	8,041	3,565
<b>Net loss for the year</b>		<b>(13,817)</b>	<b>(41,017)</b>	<b>(11,452)</b>	<b>(32,524)</b>
<b>Other comprehensive income/(loss)</b>					
Net gain/(loss) on cash flow hedges		3,644	(4,765)	3,336	(4,457)
Foreign exchange translation differences		10	(17)	-	-
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>3,654</b>	<b>(4,782)</b>	<b>3,336</b>	<b>(4,457)</b>
<b>Total comprehensive loss for the year</b>		<b>(10,163)</b>	<b>(45,799)</b>	<b>(8,116)</b>	<b>(36,981)</b>

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

# Statement of Financial Position

As at 31 December 2009

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	9	3,852	4,593	3,165	33
Trade and other receivables	10	44,703	48,352	97,388	107,251
Inventories	11	47,477	58,293	-	-
Income tax receivables	7	192	-	192	-
Derivative financial instruments	18	-	577	-	-
<b>Total Current Assets</b>		<b>96,224</b>	<b>111,815</b>	<b>100,745</b>	<b>107,284</b>
<b>Non-current Assets</b>					
Receivables	12	5	260	5	19
Investments in subsidiaries	13	-	-	108,963	97,499
Property, plant and equipment	14	23,741	27,115	240	739
Deferred tax assets	7	5,686	9,304	683	4,490
Intangible assets and goodwill	15	110,804	115,298	378	23
<b>Total Non-current Assets</b>		<b>140,236</b>	<b>151,977</b>	<b>110,269</b>	<b>102,770</b>
<b>TOTAL ASSETS</b>		<b>236,460</b>	<b>263,792</b>	<b>211,014</b>	<b>210,054</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	16	38,278	70,173	146,224	171,722
Income tax payable	7	-	2,617	-	2,617
Provisions	17	2,133	1,645	-	-
Derivative financial instruments	18	1,451	3,669	1,451	3,669
Interest-bearing loans and borrowings	19	130,440	150,763	36	527
<b>Total Current Liabilities</b>		<b>172,302</b>	<b>228,867</b>	<b>147,711</b>	<b>178,535</b>
<b>Non-current Liabilities</b>					
Provisions	17	1,649	1,297	35	338
Derivative financial instruments	18	-	1,096	-	1,096
Interest-bearing loans and borrowings	19	68,004	27,246	65,972	24,310
<b>Total Non-current Liabilities</b>		<b>69,653</b>	<b>29,639</b>	<b>66,007</b>	<b>25,744</b>
<b>TOTAL LIABILITIES</b>		<b>241,955</b>	<b>258,506</b>	<b>213,718</b>	<b>204,279</b>
<b>(NET LIABILITIES)/NET ASSETS</b>		<b>(5,495)</b>	<b>5,286</b>	<b>(2,704)</b>	<b>5,775</b>
<b>EQUITY</b>					
Contributed equity	20	56,387	56,387	56,387	56,387
Accumulated losses		(61,869)	(47,434)	(59,091)	(47,276)
Reserves	21	(13)	(3,667)	-	(3,336)
<b>TOTAL EQUITY</b>		<b>(5,495)</b>	<b>5,286</b>	<b>(2,704)</b>	<b>5,775</b>

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

# Statement of Changes in Equity

For the year ended 31 December 2009

<i>Consolidated</i>	Contributed equity \$'000	Accumulated losses \$'000	Foreign currency translation reserve (note 21) \$'000	Cash flow hedge reserve (note 21) \$'000	Total equity \$'000
<b>Balance at 1 January 2008</b>	55,244	(6,728)	(6)	1,121	49,631
Loss for the year	-	(41,017)	-	-	(41,017)
Other comprehensive loss	-	-	(17)	(4,765)	(4,782)
<b>Total comprehensive loss for the year, net of tax</b>	-	(41,017)	(17)	(4,765)	(45,799)
<b>Transactions with owners in their capacity as owners:</b>					
Share options exercised	200	-	-	-	200
Ordinary shares issued	943	-	-	-	943
Equity settled transactions, net of tax	-	311	-	-	311
<b>Balance at 31 December 2008</b>	<b>56,387</b>	<b>(47,434)</b>	<b>(23)</b>	<b>(3,644)</b>	<b>5,286</b>
<b>Balance at 1 January 2009</b>	<b>56,387</b>	<b>(45,823)</b>	<b>(23)</b>	<b>(3,644)</b>	<b>6,897</b>
Prior year adjustment (note 6)	-	(1,611)	-	-	(1,611)
<b>Restated balance at 1 January 2009</b>	<b>56,387</b>	<b>(47,434)</b>	<b>(23)</b>	<b>(3,644)</b>	<b>5,286</b>
Loss for the year	-	(13,817)	-	-	(13,817)
Other comprehensive income	-	-	10	3,644	3,654
<b>Total comprehensive income/(loss) for the year, net of tax</b>	-	<b>(13,817)</b>	<b>10</b>	<b>3,644</b>	<b>(10,163)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Equity settled transactions, net of tax	-	(618)	-	-	(618)
<b>Balance at 31 December 2009</b>	<b>56,387</b>	<b>(61,869)</b>	<b>(13)</b>	<b>-</b>	<b>(5,495)</b>

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

## Statement of Changes in Equity (continued)

For the year ended 31 December 2009

	Contributed equity \$'000	Accumulated losses \$'000	Cash flow hedge reserve (note 21) \$'000	Total equity \$'000
<i>Parent</i>				
<b>Balance at 1 January 2008</b>	55,244	(13,686)	1,121	42,679
Prior year adjustment	-	(1,010)	-	(1,010)
<b>Restated balance at 1 January 2008</b>	55,244	(14,696)	1,121	41,669
Loss for the year	-	(32,524)	-	(32,524)
Other comprehensive loss	-	-	(4,457)	(4,457)
<b>Total comprehensive income/(loss) for the year, net of tax</b>	-	(32,524)	(4,457)	(36,981)
<b>Transactions with owners in their capacity as owners:</b>				
Share options exercised	200	-	-	200
Ordinary shares issued	943	-	-	943
Equity settled transactions, net of tax	-	(56)	-	(56)
<b>Balance at 31 December 2008</b>	<b>56,387</b>	<b>(47,276)</b>	<b>(3,336)</b>	<b>5,775</b>
<b>Balance at 1 January 2009</b>	<b>56,387</b>	<b>(47,276)</b>	<b>(3,336)</b>	<b>5,775</b>
Loss for the year	-	(11,452)	-	(11,452)
Other comprehensive income	-	-	3,336	3,336
<b>Total comprehensive income/(loss) for the year, net of tax</b>	-	<b>(11,452)</b>	<b>3,336</b>	<b>(8,116)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Equity settled transactions, net of tax	-	(363)	-	(363)
<b>Balance at 31 December 2009</b>	<b>56,387</b>	<b>(59,091)</b>	<b>-</b>	<b>(2,704)</b>

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

## Statement of Cash Flows

For the year ended 31 December 2009

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		288,409	326,271	-	-
Payments to suppliers and employees		(263,653)	(301,530)	(9,080)	(11,489)
Interest received		170	1,041	153	884
Interest paid		(12,484)	(13,642)	(3,900)	(115)
Income tax paid		(1,183)	(3,724)	(1,070)	(2,464)
<b>Net cash flows from/(used in) operating activities</b>	22	<b>11,259</b>	8,416	<b>(13,897)</b>	(13,184)
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant and equipment		129	792	-	27
Purchase of property, plant and equipment		(2,763)	(3,714)	(160)	(290)
Proceeds from sale of controlled entity		582	629	575	629
Purchase of controlled entity, net of cash acquired		(7,129)	(28,804)	(7,051)	(10,476)
Acquisition of subsidiaries from prior year		(76)	(35,825)	-	(1,135)
Payments for intercompany transactions		-	-	4,099	(35,118)
<b>Net cash flows used in investing activities</b>		<b>(9,257)</b>	(66,922)	<b>(2,537)</b>	(46,363)
<b>Cash flows from financing activities</b>					
Proceeds from issues of ordinary shares	20	-	200	-	200
Proceeds from borrowings – other		20,000	41,758	20,000	41,758
Repayments of borrowings – other		(20,350)	(4,638)	-	(4,638)
Repayment of finance lease principal		(913)	(1,028)	-	(68)
Borrowing costs		(6)	(496)	(6)	(496)
<b>Net cash flows (used in)/from financing activities</b>		<b>(1,269)</b>	35,796	<b>19,994</b>	36,756
Net increase/(decrease) in cash and cash equivalents		733	(22,710)	3,560	(22,791)
Cash and cash equivalents at beginning of year		2,940	25,650	(431)	22,360
<b>Cash and cash equivalents at end of year</b>	9	<b>3,673</b>	2,940	<b>3,129</b>	(431)

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

# Notes to the Financial Statements

For the year ended 31 December 2009

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## 1 Corporate information

The financial report of Jeminex Limited (the "Company" or the "parent") and its consolidated entities (the "Group") for the year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 29 September 2010.

Jeminex Limited is a company limited by shares incorporated and domiciled in Australia. AMP Limited is the ultimate parent of the Group.

The registered office and principal place of business of the Company is 'Suite 20 01' Level 20, 68 Pitt Street, Sydney NSW 2000.

The nature of the operations and principal activities of the Group are described in the directors' report.

## 2 Summary of significant accounting policies

### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, including applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views). The financial report has been prepared on a historical cost basis, except for derivative financial instruments and financial instruments at fair value through profit or loss, which have been measured at fair value.

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

### (b) Going concern

The Company and the Group incurred net losses of \$11,668,000 and \$13,362,000 respectively during the year ended 31 December 2009 and, as of that date, the Company and the Group's current liabilities exceeded their total current assets by \$46,966,000 and \$75,715,000 respectively. Additionally, the Company and the Group's total liabilities exceeded their total assets by \$2,920,000 and \$5,348,000 respectively.

As described in Note 19(c), on 23 February 2009 the Cash Advance Facility of \$129,395,000 as at 31 December 2009 was extended to 31 December 2010. Subsequent to year end and before the completion of these financial accounts, the Company was able to renegotiate the terms and conditions of the cash advance facility. The bank syndicate comprising of Westpac Banking Corporation, Commonwealth Bank of Australia and Bank of Scotland International, will continue to provide facilities through to the 31 August 2012. The facility is subject to fixed amortisation rates aligned with cash-flows and covenants in relation to gearing, interest cover and debt service ratios.

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

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

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

## Notes to the Financial Statements (continued)

For the year ended 31 December 2009

### 2 Summary of significant accounting policies (continued)

#### (c) Compliance with IFRS

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

#### (d) New accounting standards and interpretations

##### (i) Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2009.

- ▶ AASB 7 Financial Instruments: Disclosures effective 1 January 2009
- ▶ AASB 101 Presentation of Financial Statements (revised 2007) effective 1 January 2009
- ▶ AASB 123 Borrowing Costs (revised 2007) effective 1 January 2009

The adoption of these standards have only affected the disclosure in the financial statements. There has been no affect on profit and loss or the financial position of the Group. When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

##### **AASB 7 Financial Instruments: Disclosures**

The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 3. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 3.

##### **AASB 101 Presentation of Financial Statements**

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present one statement.

##### **AASB 123 Borrowing Costs**

The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended AASB 123, the Group has adopted the Standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 January 2009. The Group did not capitalise any borrowing costs in the current year.

