



NYLEX LIMITED

ABN 95 009 375 553

Annual report for the financial year ended 30 June 2008

For personal use only

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Australian Business Number

95 009 375 553

Stock Exchange Listing

Nylex Limited shares, options and convertible notes are listed on the Australian Securities Exchange

Principal Bankers

Australia and New Zealand Banking Group Limited
Westpac Banking Corporation

Auditors

KPMG
147 Collins Street
Melbourne Victoria 3000

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Executive Chairman's letter

Dear Shareholders

When the 2008 financial year began there were good prospects for a continued improvement from Nylex after a return to profitability in 2007 following many years of disappointing returns. This did not eventuate due to the reasons outlined elsewhere in this report and also communicated to you via ASX releases and at the Extraordinary General Meeting in September of this year. The change in the rainwater tank market was truly damaging to your company.

The Board has responded with a strategic review that initially targeted a cost structure that had become unsustainable due to poor sales growth and divestments of recent years. You will recall the current structure was the result of major reductions across Nylex that I initiated when taking on the Executive Chairman role. The new structure recognises the need to run "One Nylex" operating company with an appropriate sales, marketing, operational and administration support. This is well underway and will realise considerable savings over time.

Despite this, our progress in the new year will be hampered by a number of factors:

- the crisis in credit markets has directly impacted the refinancing of Nylex, as major banks reassess their credit terms.
- the short term success of the rainwater tank market is under considerable pressure due to climate, competitive and regulatory issues and a perceived lack of Government support. We continue to believe in its viability as a part of the solution to the water crisis.
- the execution of the cost cutting program while well underway is critical to the future of the company and takes place in a difficult trading environment.
- there are production cuts and company failures occurring in the Australian Auto manufacturing industry which impact directly on Nylex, and while there are some opportunities likely to emerge in this industry, the immediate direction is troubling.

Your company is continually reviewing its operations and prospects with the intent of restoring value to the shares. The next year should see progress but there are many issues to be dealt with along this pathway. Your Board undertakes to keep you informed.

I would also like to thank my fellow Directors and Nylex's management and staff for their considerable efforts and perseverance in meeting the many challenges in what was a difficult year and for the on going demands as a result of the One Nylex restructure.

I look forward to seeing you at the Annual General Meeting when further information will be available on the status of One Nylex.

Yours faithfully

Peter George



Executive Chairman

Review of Operations

The 2008 financial year was a disappointing year for Nylex Limited and its shareholders.

The result from operating activities in 2008 was a loss before interest and tax of \$11.9 million driven by a dramatic downturn in the Group's Solutions and Lifestyles divisions. The \$11.9 million loss includes asset impairment charges of \$7.9 million and restructure provisions of \$2.2 million. This equates to an adjusted operating loss of \$1.8 million which is within the guidance range provided to the market at the Annual General Meeting in November 2007.

The year began with what appeared to be very good prospects for the rainwater tank market but these did not materialise. The actual outcome was materially reduced due to significant rainfall in Queensland and NSW and changed industry dynamics as a result of many new entrants and changes in rebate support. New "start-up" operators, both manufacturers and some importers, attracted by the prospect of high margins, entered the industry which had been enjoying strong growth, at a time when the market was contracting, severely compounding the effect of the cyclical slow down.

While the company anticipated increased competition, the combination of factors that led to supply channels being severely overstocked, was not expected. Nylex had built its 2008 budget on expanding its tank operations, and downsizing operational capacity by reducing shifts and other measures has proved a very costly exercise.

Headline achievements for the period include:

- The resolution of a number of legacy claims during the year, both against and in favour of Nylex (principally associated with divestment of businesses in the past). This included the final sign off on Mentone site remediation which was both very costly and a time consuming process.
- The rollout of the re-branding campaign across the Group's product ranges.
- The commencement of the One Nylex restructuring programme which is by far the most comprehensive review of the operations of the Nylex Group in recent years as it moves toward a single operating and reporting platform.
- The conversion of 4.7 million Nylex convertible notes into \$8.6 million of issued capital reflecting investor confidence in the underlying worth of Nylex and its brands despite subdued performance.
- Within the Lifestyles division, sales of protective liners reported strong top line growth and profitability in the first half of the year, but this market was also impacted by climate conditions in the second half of the year.
- Within the Auto division the introduction of production of fuel tanks for Ford, in conjunction with strong Holden volumes, also saw reported growth.

Nylex has much to do to reverse the trends of the 2008 financial year. The One Nylex restructuring programme is recognition of the need to identify further efficiencies to maximise the returns generated on all sales in a tight market. Significant additional efforts are required to deliver improved operational efficiencies, growth in revenues and a lowering of the cost base identified by the One Nylex restructure and the Proudfoot consultants review.

The Group is looking to an improvement in consumer sentiment and demand for water related products to be able to capitalise on the efficiencies from the process changes and to arrest the decline in the underlying businesses of Lifestyles and Solutions. The domestic automotive industry continues to be troubled with lower build volumes and industry rationalisation which continue to restrain the group's activities in this sector.

Trading – Consolidated

Nylex recorded a consolidated loss for the financial year after income tax and minority interest of \$21.296 million (2007: profit of \$10.914 million). The Group's result includes:

- Decreased revenues – the decline in revenue was underpinned by dramatic downturn in the water tank market, particularly in Queensland and Victoria, which significantly impacted the Lifestyles and Solutions divisions. Revenue declined 10.8% over 2007.
- Decreased gross margins – the group's margins decreased from 23.2% in 2007 to 21.6% this year affected by the downturn in the Solutions business.
- Lower distribution costs – Distribution costs as a percentage of sales have fallen from 9.1% in 2007 to 8.3% in 2008. It is expected that further efficiencies will be identified through the One Nylex restructure.
- Lower marketing expenses – Focussed spend as part of the re-brand exercise resulted in marketing expenses as a percentage of sales remaining relatively unchanged at 6.0% in 2008 compared to 5.9% in 2007.

- Increased administration expenses – Increased Administration expenses of 4.0% accrue from increases in general overhead expenditure.
- Increased other expenses – These have increased markedly over 2006/7 to \$16.738 million. The expenses in 2007/8 include:
 - \$2.205 million – provision for restructuring/redundancies.
 - \$7.350 million – impairment and provision of intangible assets.
 - \$0.585 million – impairment of New Zealand fixed assets.

Aside from impairment and restructure charges noted, other expenses also included a number of non-recurring costs, including some fixed asset and inventory write-offs, significant hedging, consulting and advisory costs including the costs associated with the CHAMP bid and air freight costs.

- Other income – Other income is \$4.673 million compared to \$7.456 million last year. The key items include:
 - \$1.473 million – income from the Automotive Competitiveness Investment Scheme and the Strategic Investment Program (for textile industries).
 - \$2.820 million – reimbursement of capital spend from a customer.

The EBIT from operating activities was a loss of \$11.902 million (which after adjusting for asset impairments of \$7.935 million and restructure provisions of \$2.205 million) equates to an operating loss of \$1.762 million at EBIT level against a restated EBIT in 2007 of \$8.251 million.

Net finance expense of \$7.592 million is net of interest received from bank deposits of \$0.254 million (2007:\$0.867 million) This compares to a net finance expense in 2007 of \$8.833 million.

Interest expense comprises two principal items: Cash payable interest on bank debt and the convertible notes (\$6.707 million); and notional interest relating to the accounting for the December 2006 capital raising (\$1.139 million) as noted below:

- Cash payable interest of \$6.707 million compares to total interest in the prior year at \$8.111 million. Lower debt levels following the capital raising have reduced total interest costs in 2007/8. This has been aided by the conversion of 4.7 million convertible notes during the 2008 financial year.
- Notional interest is a non-cash expense with respect to the items listed below. The annual notional interest expense of these items will be approximately \$2.000 million p.a. to December 2009:
 - amortisation of the debt component of the convertible note issue expenses, over the term of the issue;
 - amortisation of the debt raising expenses, over the term of the loan;
 - amortisation of the debt component of the notional option issue costs, over the term of their issue; and
 - present value restatement of the convertible notes.

The tax expense was \$1.802 million against a net income tax benefit of \$11.496 million recognised at 30 June 2007. The tax expense represents income adjusted for permanent differences and losses not able to be recognised. Nylex has significant tax losses in both Australia and New Zealand and a tax asset was recognised in Australia only for the probable utilisation of losses in accordance with AASB112 Income Taxes.

The net increase in cash for the year was \$3.116 million (2007:\$8.612 million). Cash generated from operations (before interest & tax payments) of \$7.297 million demonstrates that management remained committed to managing working capital during this difficult period. This compares with cash used in operations (before interest and tax payments) of \$2.725 million in 2007.

Trading – Divisions

In 2008 Nylex operated under four divisions, namely Lifestyle, Solutions, Automotive and Corporate.

The Lifestyle division incorporates the businesses formerly known as the Consumer businesses in Australia and New Zealand, the Melded Fabrics carpet business and the Films & Fabrics business. This division produced a loss from trading after the allocation of Corporate costs of \$9.480 million, compared to a loss in 2007 of \$1.070 million. The performance of the Lifestyle division was also affected by the downturn in the water tank/conservation business and in the latter half of the year by a downturn in the building sector. The 2008 loss also includes impairment for intangibles and fixed assets totalling \$5.580 million (2007:nil).

The Solutions division incorporates the businesses formerly known as the Water tank/conservation business and the Materials Handling (mobile garbage bins, plastic storage containers, recycling crates and plastic container solutions) business. Profit from trading after allocation of Corporate costs decreased markedly from \$6.360 million in 2007 to a loss of \$4.672 million in the 2008 financial year. The decline in performance was driven by the dramatic downturn in demand for water tank / conservation products particularly in Queensland and Victoria as a result of significant rainfall in Queensland and NSW and the changed industry dynamics as a result of many new entrants and changes in rebate support referred to earlier. This includes an impairment charge against goodwill of \$2.350 million (2007:nil).

The Automotive division includes businesses formerly known as the Fuel Tank Systems business, the Interior Trim Systems operation, the Carpet Moulding business and the China JV supplying carpet blanks. A profit from trading after the allocation of Corporate costs of \$2.250 million was delivered in the 2008 financial year against a profit of \$2.961 million in 2006/7. The Fuel Tank business won the contract to supply a fuel tank to the Ford Falcon platform from September / October 2007 which in part helped to offset lower domestic build volumes. The lower volumes continue to impact upon the division and the auto industry as a whole.

'One Nylex' update

The One Nylex restructuring announced by the Board on 1 May 2008 is in progress. A strategic review has been undertaken aimed at significantly improving sales and streamlining business and financial processes and reducing overheads. This is being implemented post balance date as One Nylex, assisted by a leading consultant, Proudfoot (www.proudfootconsulting.com).

This review and restructure is expected to return savings (in the vicinity of an initial \$5.0 million per annum once fully implemented) from consolidation of sales, finance and distribution processes as the Group moves forward toward a single operating infrastructure as opposed to the current divisionalised structure. Further benefits are expected from inventory and distribution efficiencies, cross selling initiatives and new sales opportunities as the restructuring programme is bedded down.

Corporate governance statement

The Board of Nylex Limited is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of Nylex Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

This statement reports on Nylex's key corporate governance principles and practices and the extent to which the Company has followed the revised Corporate Governance Principles and Recommendations (the ASX Principles) released by the ASX in August 2007 throughout the 2008 financial year.

Where there are departures from these, the recommendation is identified and reasons are given for not following it. Nylex's corporate governance practices are reported below under headings covering the principles stated in the ASX Guidelines.

Principle 1 – Lay solid foundations for management and oversight

The Board has adopted a formal charter (Board Charter) that clearly defines matters reserved for the Board and those that the Board has delegated to management and the Audit & Risk Committee. Matters that would otherwise be considered by a Nomination and Remuneration Committee and a Corporate Governance Committee are considered by the Board as a whole and are incorporated into the Board Charter. The Board Charter and the charter of the Audit & Risk Committee are available on Nylex's website at www.nylexlimited.com.au/aboutus/corporategovernance.

The procedures and processes covering the annual performance evaluation for senior executives, who are measured against nominated targets and goals and remunerated in part based on performance, are set out in the Remuneration Report in the Directors' Report. In the 2008 financial year performance evaluations for the Board and senior executives took place in accordance with the processes set out in the Remuneration Report.

Principle 2 – Structure the board to add value

At the date of this report, the Nylex Board is comprised of four non-executive directors and the Executive Chairman. Details of the Directors, including their qualifications, experience, date of appointment, special responsibilities and independent status is set out in the Corporate Information section of the Annual Report on page 80.

The members of the Board bring considerable experience and wide ranging competencies to Board considerations. These include skills, experience and expertise in business management, corporate turnarounds, finance, capital markets, marketing, brand management and property.

ASX Recommendation 2.1 recommends that a majority of the board be independent directors. Two of the five current Directors, Mr Francis and Mr Fraser, are considered independent. Mr George is not considered independent as he is a current executive of the Company. While independent to 18 September 2007, both Mr Nicholls and Mr Withana are not considered to be independent from this date, as they have an indirect interest in more than 5% of the voting shares of the company following the conversion of 4,340,117 convertible notes by Harmony Investment Fund Limited, a company that they are both associated with, at this time.

The Board considers the independence of directors can be assessed by their capacity to act in accordance with their duties and to put the interests of the company and its shareholders first. In this way, the directors can objectively exercise independent judgement. Each of the current directors is considered to have this capacity. In addition, the Board considers that the value of the expertise of the non-independent directors outweighs any issues associated with those Directors not having "independent" status.

Mr George was appointed Chairman on 31 January 2006, and subsequently, this appointment was extended to Executive Chairman on 20 February 2006 for a three year term.

The Board has delegated responsibility for achieving business objectives and day-to-day operation and administration of the company to executive management led by the Executive Chairman, Mr Peter George. Mr George is assisted in managing business issues by an executive management committee.

Nylex does not presently comply with ASX Recommendations 2.2 and 2.3 that:

- the Chair be an independent director; and
- the roles of Chair and Chief Executive should not be exercised by the same individual.

The Board believes that its current composition is appropriate. Specifically, there are appropriate conflict of interest policies in place to ensure that any material personal interests are disclosed and dealt with. In addition the Audit & Risk Committee, which has two independent directors, is responsible for monitoring Nylex's compliance with all laws and regulations.

The Board, in its role as the Nomination and Remuneration Committee, monitors the size and composition of the Board. The Company's constitution provides one third of the directors (not including the Chief Executive Officer or equivalent) each year will retire and may present themselves for re-election. As such, the Board evaluates new candidates for appointment to the Board to ensure that they possess the requisite personal qualities, skills, experience and expertise to add value to the Board, and that they have the available time to commit to all aspects of the Board's work programme.

All Directors must keep the Board advised on an on-going basis of any interest that could potentially conflict with that of the company. Where the possibility of a material conflict arises, an affected director may be asked to justify the basis on which the affected Director participates in discussion regarding, and votes on, the particular issue at the relevant meeting. The Company's constitution allows a director who has an interest in a matter that is being considered at a meeting of directors to be present and counted in a quorum and to vote at that meeting unless that is prohibited by the Corporations Act 2001 or the ASX Listing Rules.

The test of whether a material conflict may exist is based on the nature of the relationship of business and the circumstances and activities of the Director. Materiality is considered from the perspective of the Company and its group members, the persons or organisations with which the Directors have an affiliation and from the perspective of the Director. To assist in assessing the materiality of a supplier or customer the Board has adopted the following materiality thresholds:

- A material customer is a customer which accounts for more than 2% of Nylex's total consolidated revenue.
- A supplier is material if Nylex accounts for more than 2% of that supplier's consolidated total revenue.
- An indirect or directly held interest of more than 5% ownership in the shares of the company is considered material.

Each Director has the right to seek independent professional advice at the company's expense concerning any aspect of the company's business in order to fulfil his or her duties and responsibilities as director. However, prior approval of the Executive Chairman is required, which will not be unreasonably withheld.

Evaluation of the Board, executives and committees is important. The Board has initiated processes to undertake necessary evaluations which are reviewed and approved by the Board. The procedures and processes covering the performance evaluation for the Board and its committees are set out in the Remuneration Report in the Directors' Report. In the 2008 financial year performance evaluations for the Board and its committees took place in accordance with the processes set out in the Remuneration Report.

[Principle 3 – Promote ethical and responsible decision-making](#)

Nylex has a code of conduct entitled "What we stand for" which outlines its commitment to appropriate and ethical corporate practices. The code of conduct sets out the principles and practices of personal and corporate behaviour Nylex expects from its people and those working with Nylex to adopt in their daily business activities including environment, health and safety, property, travel and employment. A full copy is available on the Company's website in the corporate governance section. It also has a Whistleblower Policy which documents Nylex's commitment to maintaining an open working environment in which employees and contractors are able to report instances of unethical or unlawful behaviour without fear of recrimination. This too is available on the company website.

Nylex's Securities Trading Policy prohibits all employees from dealing in company securities if they are in possession of inside information. In addition, Directors and those who report directly to the Chief Executive Officer, the Nylex executive team, are subject to a "close season" whereby they are not allowed to trade in Nylex securities during the period from the date of the end of the reporting period to the release of annual and half-yearly information to the ASX. Trading inside of these "close seasons" is permitted only with the express approval of the Chairman or in the case of trading by the Chairman, approval of a nominated Director.

It is a condition of the Securities Trading Policy that Directors and executives participating in an equity based incentive plan are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement to any other person. A copy of the Securities Trading Policy is available in the Corporate Governance section of Nylex's website.

[Principle 4 – Safeguard integrity in financial reporting](#)

The Board has established an Audit & Risk Committee to assist it in the discharge of its responsibilities. The Audit & Risk Committee charter is available in the corporate governance section of Nylex's website and is reviewed regularly and updated as required.

The members of the Board and the Audit & Risk Committee are identified and their attendance at meetings held during the year is set out in the table below. Their qualifications are listed on page 80.

Directors	Board		Audit & Risk Committee	
	Held (1)	Attended (2)	Held (1)	Attended (2)
P George	13	12		
TC Francis	13	12	6	6
IL Fraser	13	13	6	6
JR Nicholls ⁽³⁾	13	13	5	5
S Withana	13	10		
BF O'Donnell ⁽⁴⁾	3	2	1	-

- (1) "Held" indicates the number of meetings held during the period of each Director's tenure
- (2) "Attended" indicates the number of meetings attended by the Director
- (3) Mr Nicholls was appointed to the Audit & Risk Committee on 12 September 2007
- (4) Mr O'Donnell resigned as director and member of Audit & Risk Committee on 31 August 2007

The Audit & Risk Committee, following Mr O'Donnell's resignation on 31 August 2007, comprises three members including independent directors Messrs Francis and Fraser. Mr Nicholls is not considered independent from 18 September 2007. The CFO and Mr George in his capacity as CEO are invited to attend the meeting. The internal and external auditors also attend the committee meetings. In addition the Committee and the Board meet with both the internal and external auditors alone at least on a twice yearly basis.

KPMG was appointed the Company's external auditors by the shareholders at the 2007 Annual General Meeting. The Company policy with regard to the performance of non-audit work by its external auditors is that it is prohibited where independence may be compromised or conflicts arise. Details of work undertaken by the external auditor's firm is set out in the notes to the financial statements. Management consultancy, IT implementation and specialised internal audit work are not performed by the external auditors. KPMG has a rotation policy in operation whereby the audit partner is rotated off the company's audit every five years.

[Principle 5 – Make timely and balanced disclosure](#)

Nylex is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company.

The Company has a Continuous Disclosure Policy which outlines management's accountabilities and the processes to be followed for ensuring compliance with continuous disclosure and the principles for communicating with the market. A copy of the Continuous Disclosure Policy is available in the corporate governance section of the Company's website.

[Principle 6 – Respect the rights of shareholders](#)

The Company's shareholders elect the Board, and it is the Board's task to govern the company on behalf of shareholders. The Directors realise that the shareholders are entitled to receive timely and relevant quality information in respect of their investment and that prospective new investors are entitled to make informed investment decisions.

The Company's Continuous Disclosure Policy encourages effective communication by informing shareholders of all major developments affecting the company's state of affairs by requiring :

- full and timely disclosure of information about the company's activities in accordance with the disclosure requirements of the ASX Listing rules and the Corporations Act including the half-year and year end financial reporting.
- all information released to the market, including announcements required by the company's continuous disclosure policy, are to be made available promptly on the company's web site following release and be maintained on the website for at least three years.

In addition shareholders have the opportunity to meet with the members of the Board and senior management at the Annual General Meeting each year. This meeting also provides the Executive Chairman with an opportunity to update shareholders on the company's current trading position. The Board encourages full participation by shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the company's strategy and goals. Important issues are presented to the shareholders at the Annual General Meeting as single resolutions. Proposed major changes in the company that may impact on share ownership rights are submitted to a vote of shareholders.

The company's external auditor attends the Annual General Meeting to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report, the accounting policies adopted by the company and the independence of the auditor in relation to the conduct of the audit.

A copy of the Continuous Disclosure Policy is available in the corporate governance section of the company's website.

[Principle 7 – Recognise and manage risk](#)

The ultimate responsibility for risk oversight and risk management rests with the full Board of the Company. To assist the Board in discharging its responsibilities in relation to risk, the Audit & Risk Committee oversees the Company's Risk Management Policy on behalf of the Board. A copy of Nylex's Risk Management Policy is available in the corporate governance section of the company's website.

The main objectives of the Risk Management Policy are:

- the appraisal of all business risks, internal risk management control systems and compliance with applicable laws and regulations;
- establishing an appropriate priority listing in relation to matters covered by the policy;
- reviewing the effectiveness of controls and compliance processes in relation to the company's risk management activities;
- ensuring the adequacy of internal risk reporting; and
- providing a forum for communication between the Board and senior management in relation to risk management and compliance activities generally.

Financial risk is managed on an ongoing basis by the company's management and this process is overseen by the Audit & Risk Committee which in turn reports to the Board.

Internal audit is responsible for providing an independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control system. The Audit & Risk Committee oversees the scope of the internal audit and approves the annual internal audit programme. It approves the appointment of the head of internal audit and has access to internal audit without the presence of other management.

The Company is continually reviewing and documenting its risk management and internal compliance and control systems. Its financial systems are overseen by the Audit & Risk Committee. This allows the Executive Chairman and the Chief Financial Officer to provide the statements to the Board specified in the ASX Guidelines.

Before the financial statements for the 2008 financial half-year and full year were adopted, the Board received written declarations from the Executive Chairman and CFO that the financial records of the Company have been properly maintained in accordance with section 286 of the Corporations Act and the Company's financial statements and notes comply with the accounting standards and give a true and fair view of the Group's financial position and performance for the financial period.

The Executive Chairman and the Chief Financial Officer also provide formal statements to the Board at each reporting date that the integrity of the financial statements is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

In addition senior managers complete and sign a questionnaire from the Directors on a half yearly basis. The questions relate to the financial position of the Company, disclosure, the application of Company policies and procedures, compliance with external obligations and other governance matters. This process assists the Executive Chair and the CFO in making the declarations to the Board.

[Principle 8 – Remunerate fairly and responsibly](#)

From July 2007 the Board elected not to establish a separate Nomination and Remuneration Committee and Corporate Governance Committee on the basis that the Nylex Board is a relatively small Board and is able to efficiently carry out the functions that would otherwise be delegated to such Committees.

The affairs and matters of a Nominations and Remuneration Committee are considered by the full Board. Accordingly recommendations are made to the Board on the remuneration of executive directors and the remuneration packages of those executives reporting directly to the Executive Chairman.

Particulars concerning Directors' and executives' remuneration and the Company's Executive Share Option Plan are outlined in notes to the financial statements and in the Remuneration Report.

The only benefits currently paid to non-executive Directors are a base fee approved in aggregate by shareholders and statutory superannuation. Non-executive Directors were previously entitled to receive options under an option plan but this has since been discontinued. There is no scheme for the payment of retirement benefits.

Directors' report

The Directors of Nylex Limited (referred to herein as "the Company") submit herewith their report together with the annual financial report of the Company and of the Group, being the Company and its subsidiaries and the Group's interest in its jointly controlled entity for the financial year ended 30 June 2008 and the auditor's report thereon.

The names of the Directors of the Company during or since the end of the financial year are:

Director

P George	Executive Chairman
TC Francis	Non-Executive Director
IL Fraser	Non-Executive Director
JR Nicholls	Non-Executive Director
S Withana	Non-Executive Director
BF O'Donnell	Non-Executive Director (resigned 31 August 2007)

Company Secretary

D Kelly

Particulars of the directors' and company secretary's qualifications, experience, special responsibilities and directorships of other listed companies are set out on page 80 of this Annual Report.

Principal activities

Nylex is a diversified manufacturer and distributor of branded plastic and automotive products which is split into three business divisions.

- Lifestyle - Trading in branded products including Nylex, Esky, Gardena, Ajax Fasteners, Senco, Melded, Colorino and Frontrunner ;
- Solutions - Supplying plastic based solutions including water tanks, garbage bins, communication pits and plastic containment solutions; and
- Automotive - Supplying plastic based products and interior carpets to the car manufacturers and their suppliers including fuel tanks.

Review of operations

The net loss of the Group for the financial year after income tax expense and minority interest was \$21.296 million (2007: profit of \$10.914 million). Further details of the performance of the group are set out in the Review of Operations appearing in this Annual Report.

Changes in state of affairs

During the financial year, there was no significant change in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

Subsequent events

Other than noted below, there has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

- Conversion of 1,997,561 convertible notes since 30 June 2008 increasing issued share capital by \$3.639 million and thereby reducing the amount required to be repaid to holders of convertible notes outstanding at 9 December 2009 by the same.
- On 30 September 2008 the Group received an offer to refinance its facilities for a twelve month period effective 1 November 2008 and expiring 31 October 2009. The principal terms of the facility have been agreed, and the Directors anticipate that the new facility will be executed. The new facilities with ANZ and Westpac will have an aggregate limit of \$80 million. These facilities comprise \$49 million term debt and \$31 million in overdraft, trade finance and bank guarantee facilities, split evenly between the two banks. The new facility includes an amortisation schedule that was agreed to by the Company as part of the terms of the new facility.

The financial report has been prepared on a going concern basis, which assumes that:

- the Group will execute new banking facilities, which have been agreed subsequent to 30 June 2008 with ANZ and Westpac ("the lenders") but which are subject to execution of documentation;
- the Group will be able to meet mandatory repayment terms of the facility which require repayments by 31 March 2009, 30 June 2009 and 30 September 2009; and
- the Group will be able to refinance or repay the banking facility in full by 31 October 2009.

Notwithstanding the above, the facilities are subject to review by 31 January 2009. The lenders will undertake a review which will include (but is not limited to) a review of:

- the financial performance of the Group against budget;
- the progress of the One Nylex initiatives; and
- the progress of planned divestments and capital raisings to meet mandatory repayment requirements.

Following the review, the lenders will have the unfettered ability to review and vary the terms at their absolute discretion on which the facility is provided. The Directors believe that the lenders will not exercise their discretion to materially alter the terms of the facility as a result of the review.

The Directors believe that the repayment of the facility will occur as required. The Board, subsequent to the year end, has approved a plan to realise capital amounts from the sale of certain assets currently held on the Group's balance sheet. While the sale process is confidential the Board is confident that assets sales will be finalised prior to 31 March 2009 and that the proceeds will be sufficient to meet the mandatory repayment at that date. The Directors anticipate that the additional repayments in June 2009 and September 2009 will be met out of cash generated by the Group from operations or from alternative forms of capital raising such as further asset sales, an alternative financing or a market sponsored event such as a rights or note issue or private placement.

The Directors acknowledge that uncertainty remains over the ability of the Group to meet its funding requirements and to refinance or repay the banking facility by 31 October 2009. However, as highlighted above, the financial report has been prepared on a going concern basis. If for any reason the Group is unable to operate as a going concern, there would be an associated impact on its ability to realise assets at their recognised values, in particular goodwill, other intangible assets, deferred tax assets, investments in jointly controlled entities, property, plant and equipment and to extinguish liabilities in the normal course of business and at the amounts stated in the financial report.

Future developments

The Directors believe on reasonable grounds that the disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The Group's businesses are integrated into the Nylex Group Risk Management Program under the oversight of the Board's Audit & Risk Committee.

As part of the current program, at the end of each financial year, the environmental performance of the Group's sites (excluding offices or similar low operational-complexity sites, vacated or divested sites) is subject to review by means of annual environmental due diligence questionnaires and executive risk management committee oversight and direction. These are completed and signed by the manager responsible for each individual site.

All sites surveyed reported having the appropriate environmental licences, permits and approvals for ongoing operations.

There were no recorded incidents whereby any operating licenses or permit conditions were compromised.

Dividends

No dividends have been paid or declared by the Company since the beginning of the financial year. The directors do not recommend the payment of a dividend in respect of the 2008 financial year.

Share options

Share options granted to directors and executives

The Company has established an Executive Share Option Plan in respect of its ordinary shares which operates in accordance with the Listing Rules. Assuming all options granted pursuant to the plan to the date of the report were exercised, the plan would not lead to a capital raising of more than 5% of the issued capital of the Company.

During the financial year, the Company granted a total of 1,050,000 options for no consideration over unissued ordinary shares in the Company to the following directors and key management personnel in accordance with the provisions of the Executive Share Option Plan as part of their remuneration:

	Number of options granted during the year	Exercise price of option	Forfeited during the year	Balance at end of year	Expiry date of options
Executive Director					
P George	350,000	\$1.84	(115,000)	235,000	13 November 2012
Key Management Personnel					
KA Latchford	250,000	\$1.84	(80,000)	170,000	27 September 2012
BT Coverdale	250,000	\$1.84	(80,000)	170,000	27 September 2012
DG Armstrong	200,000	\$1.84	(65,000)	135,000	27 September 2012

All options were granted during the financial year. No options were granted since the end of the financial year.

During or since the year end of the financial report, the Company did not issue any ordinary shares as a result of the exercise of the options. Mr BT Coverdale ceased employment with the Company on 31 July 2008 and 170,000 options held by him at 31 July 2008 expired. At the date of this report the Company has a total of 540,000 options over unissued ordinary shares outstanding that expire as noted and have an exercise price of \$1.84.

All options expire on the earlier of their expiry date or termination of the employee's employment. In addition, the ability of the options to vest is conditional on the Group achieving certain performance hurdles in respect of total shareholder return. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Further details of the Executive Share Option Plan are included in the Remuneration Report on pages 15 to 21 and in note 38 to the financial statements set out in this Annual Report.

Other shares under option

At the date of this report unissued ordinary shares under option to be issued by Nylex Limited are:

Number of shares under option	Exercise price of option	Expiry date of options
27,917,035	\$1.84	8 December 2009

During or since the end of the financial year, Nylex Limited issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

Number of shares issued	Amount paid for shares
10,301	\$1.84

Shares issued on conversion of convertible notes

During or since the end of the financial year, Nylex Limited issued ordinary shares as a result of the conversion of convertible notes as follows (there were no amounts unpaid on the shares issued):

Number of convertible notes converted	Number of shares issued
6,717,151	20,631,242

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above) and all executive officers of the Company and of any related bodies corporate against a liability that may arise from their position as directors or executive officers to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has executed deeds in favour of directors (including past directors), in which it has agreed to indemnify them against any liability incurred as officers of the Company and its subsidiaries. This includes indemnification for all legal costs and other costs and expenses, arising from legal proceedings or investigations, incurred by the directors as officers or as a consequence of having been an officer of the Company or its subsidiaries. These indemnities apply to the maximum extent permitted by law.

These deeds are consistent with Article 34 of the Constitution of the Company, which also provides for the indemnification of directors and the company secretary, to the extent permitted by law.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company, or of any related body corporate, against a liability incurred as such officer or auditor.

Directors' meetings

A table setting out the number of Directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member) is included in the Corporate Governance Statement on page 9.

Directors' shareholdings

The following table sets out each Director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

Directors	Fully Paid Ordinary Shares		Options over Ordinary Shares		Convertible Notes	
	Directly	Indirectly*	Directly	Indirectly*	Directly	Indirectly*
P George	-	-	235,000(b)	-	-	-
TC Francis	4,328	2,867	2,002	53,826	637	422
IL Fraser	-	30,000	-	-	-	-
JR Nicholls	-	-	-	(a)	-	(a)
S Withana	-	-	-	(a)	-	(a)

* Interest held by an associated company or person.

(a) Mr Nicholls and Mr Withana are both directors of Harmony Investment Fund Limited (Harmony). Harmony has interests in 10,275,498 ordinary shares, 1,734,412 convertible notes and 8,993,406 options over ordinary shares at the date of this report.

(b) Balance of unvested options issued to Mr George under the Executive Share Option Plan.

Remuneration report - audited

Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the Directors of the Company and executives for the Company and the Group including the five most highly remunerated Company and Group executives.

The key principles of the Company's executive remuneration framework are as follows:

- To provide competitive rewards necessary to attract, retain and motivate key executives.
- To structure remuneration to reward performance and not effort, and therefore link reward to shareholder value. A key component of all executives remuneration is an "at risk" component that is only payable upon achieving performance objectives set at the commencement of each financial year.
- To be fair and objective in implementing the remuneration practices.

Remuneration report - audited (continued)

Principles of compensation (continued)

The Board recognises that remuneration is a major factor in recruiting, retaining and motivating highly talented and effective executives. Other factors such as ethical culture, business values, leadership and alignment of individual and Company objectives also play a significant role.

The remuneration structure is designed to provide an appropriate balance between fixed and variable (at risk) remuneration where reward and results are directly linked.

Remuneration structure

The remuneration structure comprises a:

- *Fixed Annual Remuneration component* which includes cash salary, superannuation and other benefits provided by the Company. Executives may structure their remuneration package in accordance with the Company's Salary Packaging guidelines which comply with Australian Taxation Office rules and legislative requirements. This includes non-monetary benefits such as a car allowance. Each position is evaluated and graded using the Hay system to ensure internal and external relativities are monitored; and
- *Variable (at risk) component* which includes both short term and long term incentives. The short term incentive consists of an 'at risk' bonus plan where the bonus is provided in cash and the reward is determined by the level of achievement against performance objectives. Financial hurdles must be met before being eligible for any bonus payment and all payments are subject to individual approval by the Executive Chairman. The long term incentive is provided as options over ordinary Nylex shares to senior executives under the rules of the Executive Share Option Plan (see note 39).

Short-term incentive bonus

Each year the board, acting in its role as the Remuneration Committee sets the key performance indicators (KPIs) for the key management personnel. The KPIs generally include measures relating to the Group, the relevant segment, and the individual and include financial as well as a variety of other measures.

A balanced score card of performance objectives together with targets, stretch goals and importance weighting is set for all executives and their direct reports on an annual basis. The bonus plan is a discretionary plan that provides for up to 35% of fixed annual remuneration to be payable subject to achievement against the performance criteria. The maximum amount is only payable if all targets are achieved.

The financial performance objectives include "profit after tax" and "return on net assets employed", which are set at the appropriate reporting responsibility level, compared to budgeted amounts. The non-financial objectives vary with position and responsibility.

At the end of the financial year the Board assesses the actual performance of the Group, the relevant segment and individual against the KPIs set at the beginning of the financial year. A percentage of the pre-determined maximum amount is awarded depending on results. No bonus is awarded where performance falls below the minimum.

Long-term incentive

Options are issued under the Executive Share Option Plan which was approved by shareholders at the 1999 Annual General Meeting. It provides for key management personnel to receive options over ordinary shares exercisable at a specified exercise price. The ability to exercise the options is also conditional on the Group achieving certain performance hurdles.

The total number of options granted to an executive (which have not expired nor been exercised) shall not exceed the number of options determined in accordance with the following formula: executive's annual salary x 4 / option exercise price. The total of all exercisable options under the Plan shall not exceed 5% of the total number of shares on issue.

The performance hurdle requires the Nylex Group to achieve a return on net assets employed of 15% for the year ending 30 June 2008, 17% for the year ending 30 June 2009 and 20% for the year ending 30 June 2010.

In June 2008 the Group introduced a policy that prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases.

Remuneration report - audited (continued)

Remuneration structure (continued)

Short and long-term incentive structure

The Board, in its role as the Remuneration Committee, considers that the above performance linked compensation structure is generating the desired outcome.

In the current year the Group did not achieve the long-term incentives and only certain segments were able to meet short-term incentive targets against budgeted results.

Consequences of performance on shareholder wealth

In considering the Group's performance and effect on shareholder wealth, the Board have regard to the following indices in respect of the current financial year.

	2008
Net loss attributable to equity holders of the parent	(\$21,296,000)
Dividends paid	Nil
Change in share price over the year	(91 cents)
Return on net assets employed	(24.1%)

Net profit is considered as one of the financial performance targets in setting short term incentive targets. The long term incentive is assessed with regard to return on net assets employed.

Remuneration Review

Using external consultants the labour market is surveyed annually to ensure the Company remains competitive for labour. The company aims to set the fixed annual remuneration at the market median levels for jobs of comparable size (based on the Hay job evaluation methodology) and above that, provides a short term incentive (bonus plan) to enable executives to be remunerated appropriately.

Performance objectives are established at the commencement of each year ensuring alignment with the company's business objectives and strategies. A formal performance review process is conducted at year-end (and informally at the half year end) where performance against objectives is determined, communicated and discussed with the aim of identifying ways to improve in the future and to recognise and ultimately reward excellence.

The remuneration of executives and staff is reviewed annually. The Board reviews advice from management and external advisers and determines the remuneration review guidelines that will apply each year and establishes a maximum weighted average increase that can apply throughout the company. Increases are differentiated on the basis of performance.

The Board also undertakes a remuneration and bonus review for the Executive Chairman and for his direct reports.

Non Executive Directors

The maximum aggregate sum (or cap) for remuneration of non-executive Directors was set at \$500,000 per annum and approved by the shareholders at the 2003 Annual General Meeting. No equity incentives are offered to non-executive directors and any increase in annual fees is limited to the overall weighted average market movement applied to senior management. Directors' base fees are presently up to \$77,085 per annum.

Fees for directors are based on the scope and size of Directors' responsibilities and on the size and complexity of the Group. Non-executive Directors receive fees plus superannuation at the prescribed Superannuation Guarantee Charge amount (currently 9%). Non-executive Directors do not receive performance related compensation and any increase in annual fees is limited to the overall weighted average market movement applied to senior management.

Retirement Benefits

Retirement benefits are provided under –

- The Nylex Group Superannuation Plan, which has 284 members and is administered by the ANZ Super Advantage Master Trust. This Plan provides both defined and accumulation style benefits, although no defined benefits have been offered to employees joining since 1999.
- Industry funds as nominated by various site agreements and awards.
- Contributions to personal superannuation funds, particularly since the introduction of choice of fund changes.

Remuneration report - audited (continued)
Remuneration Review (continued)

Director and executive details

The directors of Nylex Limited during or since the end of the financial year were:

- P George (Executive Chairman)
- TC Francis (Non-Executive)
- IL Fraser (Non-Executive)
- JR Nicholls (Non-Executive)
- S Withana (Non-Executive)
- BF O'Donnell (Non-Executive) Resigned 31 August 2007

The five highest remunerated company and group executives of Nylex Limited during the 2008 year were:

- KA Latchford (Chief Financial Officer) appointed 17 July 2007
- BT Coverdale (Chief Operating Officer) appointed 1 June 2007, resigned 31 July 2008
- J Cloonan (Executive General Manager – Automotive) retired 29 February 2008
- F Dickson (Executive General Manager – Consumer) appointed 14 January 2008
- DG Armstrong (Executive General Manager – Water) appointed 1 June 2007

Service Agreements

It is the Group's policy that service contracts for key management personnel, excluding the Executive Chairman, are unlimited in term but capable of termination on either 3 or 6 months notice and that the Group retains the right to terminate the contract immediately, by making payment equal to the notice period in lieu of notice. The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

Remuneration and other terms of employment for the Executive Chairman and the executives reporting to him are formalised in their contracts of employment. Each of these contracts provides for performance-related cash bonuses of up to 35% (unless otherwise stated below) of their respective fixed annual remuneration on achievement of performance related targets as outlined earlier in respect of the Bonus Plan. Some executives participate in project specific bonuses from time to time as a commercial arrangement to incentivise them to achieve targeted project outcomes.

The principal remuneration – based agreements are set out below.

P George – Executive Chairman

- Fixed annual remuneration (FAR) inclusive of all benefits is \$545,000.
- The Bonus Plan for the Executive Chairman is up to a maximum of 35% of FAR and is payable only on achieving performance hurdles set by the Board. A special cash bonus of \$50,000 was paid in recognition of additional work involved with dealing with the CHAMP proposal. (2007: Nil).
- Other than for incapacity or gross default, misconduct or neglect, employment may be terminated by 6 months notice (or payment in lieu calculated using fixed annual remuneration). In the event of a change in control the termination notice period increases to 12 months. Contract effective 1 February 2006 for 3 year term.

KA Latchford – Chief Financial Officer (appointed 17 July 2007)

- Fixed annual remuneration inclusive of all benefits is \$380,000.
- Potential to earn a bonus up to a maximum of 35% of FAR on achievement of performance hurdles set by the Board (EBIT and cash flow targets). Cash bonus paid 2008:nil (2007:nil).
- On redundancy or retrenchment, other than for incapacity or gross default, misconduct or neglect, payment of 6 months fixed annual remuneration. Notice period required 3 months.

PS White – Chief Financial Officer (resigned 16 July 2007)

- Fixed annual remuneration inclusive of all benefits is \$370,000.
- Potential to earn bonus up to a maximum of 35% of FAR on achievement of performance hurdles set by the Board (EBIT and cash flow targets). Cash bonus paid 2008:Nil (2007:nil).
- On redundancy or retrenchment, other than for incapacity or gross default, misconduct or neglect, payment of 6 months fixed annual remuneration. Notice period required 3 months.

Remuneration report - audited (continued)

Remuneration Review (continued)

BT Coverdale – Chief Operating Officer (ceased 31 July 2008)

- Fixed annual remuneration inclusive of all benefits is \$380,000.
- Potential to earn bonus up to a maximum of 35% of FAR on achievement of performance hurdles set by the Board (EBIT and cash flow targets). Cash bonus paid 2008:\$34,863 (2007:nil)
- On redundancy or retrenchment, other than for incapacity or gross default, misconduct or neglect, payment of 6 months fixed annual remuneration. Notice period required 3 months.

F Dickson – Executive General Manager – Lifestyle (appointed 14 January 2008)

- Fixed annual remuneration inclusive of all benefits is \$250,000.
- Potential to earn bonus up to a maximum of 35% of FAR on achievement of performance hurdles set by the Board (EBIT and cash flow targets). Cash bonus paid 2008:Nil (2007:nil).
- On redundancy or retrenchment, other than for incapacity or gross default, misconduct or neglect, payment of 6 months fixed annual remuneration. Notice period required 3 months.

A Moore – Executive General Manager – Lifestyle (appointed with effect from 26 September 2006, ceased 31 October 2007)

- Fixed annual remuneration inclusive of all benefits is \$300,000.
- Potential to earn bonus up to a maximum of 35% of FAR on achievement of performance hurdles set by the Board (EBIT and cash flow targets). Cash bonus paid 2008:Nil (2007:nil).
- On redundancy or retrenchment, other than for incapacity or gross default, misconduct or neglect, payment of 6 months fixed annual remuneration. Notice period required 3 months.

D Lander – General Manager – Automotive (appointed 2 June 2008)

- Fixed annual remuneration inclusive of all benefits is \$225,000.
- Potential to earn a bonus up to a maximum of 35% of FAR on achievement of performance hurdles set by the Board (EBIT and cash flow targets). Cash bonus paid 2008:nil (2007:nil).
- On redundancy or retrenchment, other than for incapacity or gross default, misconduct or neglect, payment of 6 months fixed annual remuneration. Notice period required 3 months.

J Cloonan – Executive General Manager – Automotive (ceased 29 February 2008)

- Fixed annual remuneration inclusive of all benefits is \$280,000.
- Potential to earn bonus up to a maximum of 35% of FAR on achievement of performance hurdles set by the Board (EBIT and cash flow targets). Cash bonus paid 2008:Nil (2007:nil).
- On redundancy or retrenchment, other than for incapacity or gross default, misconduct or neglect, payment of 12 months fixed annual remuneration. Notice period required 3 months.

DG Armstrong – Executive General Manager – Solutions (appointed 1 June 2007)

- Fixed annual remuneration inclusive of all benefits is \$280,000.
- Potential to earn a bonus up to a maximum of 35% of FAR on achievement of performance hurdles set by the Board (EBIT and cash flow targets). Cash bonus paid 2008:nil (2007:nil).
- On redundancy or retrenchment, other than for incapacity or gross default, misconduct or neglect, payment of 6 months fixed annual remuneration. Notice period required 3 months.

Remuneration of Directors and executive officers' remuneration (Company and Consolidated)

Details of the nature and amount of each major element of remuneration of each Director of the Company, each of the five named Company executives and relevant Group executives who receive the highest remuneration and other key management personnel are shown in the following table:

Remuneration report - audited (continued)

Remuneration Review (continued)

Remuneration of Directors and executive officers' (Company and Consolidated) (continued)

In AUD	Short term			Short term total	Post-employment	Other long term	Share-based payments	Termination benefits	Total	S300 A(1)(e)(i) proportion of remuneration performance related %	S300 A(1)(e)(vi) Value of options as proportion of remuneration %
	Salary & fees	Bonus	Non-monetary		Super-annuation benefits	(C)	Options (B)				
2008											
Directors											
Non-executive directors											
TC Francis	70,720	-	-	70,720	6,365	-	-	-	77,085	-	-
IL Fraser	70,720	-	-	70,720	6,365	-	-	-	77,085	-	-
JR Nicholls	50,000	-	-	50,000	-	-	-	-	50,000	-	-
S Withana	50,000	-	-	50,000	-	-	-	-	50,000	-	-
BF O'Donnell	11,786	-	-	11,786	1,060	-	-	-	12,846	-	-
Executive director											
P George	500,000	50,000	-	550,000	45,000	18,720	878	-	614,598	8.3%	0.1%
Executives											
KA Latchford	335,662	-	-	335,662	30,210	-	627	-	366,499	0.2%	0.2%
BT Coverdale	348,624	34,863	-	383,487	31,376	-	627	205,000(i)	620,490	8.5%	0.2%
D Armstrong	225,021	-	32,055	257,076	20,252	-	502	-	277,830	0.2%	0.2%
F Dickson	99,005	-	-	99,005	8,910	-	-	-	107,915	-	-
D Lander	17,202	-	-	17,202	1,548	-	-	-	18,750	-	-
Executives (Former)											
PS White	14,880	-	-	14,880	1,339	-	-	-	16,219	-	-
J Cloonan	161,861	-	19,877	181,738	19,423	4,033 (ii)	-	157,413	362,607	-	-
A Moore	92,235	-	-	92,235	8,301	-	-	-	100,536	-	-
2007											
Directors											
Non-executive directors											
BF O'Donnell	70,720	-	-	70,720	6,365	-	-	-	77,085	-	-
TC Francis	70,720	-	-	70,720	6,365	-	-	-	77,085	-	-
IL Fraser	35,360	-	-	35,360	3,182	-	-	-	38,542	-	-
JR Nicholls	26,747	-	-	26,747	-	-	-	-	26,747	-	-
S Withana	26,747	-	-	26,747	-	-	-	-	26,747	-	-
Executive director											
P George	500,000	-	-	500,000	45,000	-	-	-	545,000	-	-
Executives											
BT Coverdale	29,052	-	-	29,052	2,915	-	-	-	31,967	-	-
D Armstrong	42,814	-	-	42,814	3,853	-	-	-	46,667	-	-
PS White	339,450	-	-	339,450	30,550	-	-	-	370,000	-	-
J Cloonan	270,865	-	-	270,865	29,135	5,363	-	-	305,363	-	-
Executives (Former)											
MC Stevens	191,250	-	-	191,250	15,493	-	-	124,383	331,126	-	-
A Moore	229,516	-	-	229,516	2,064	-	-	-	231,580	-	-
S Ralphsmith	229,358	-	-	229,358	20,642	-	-	165,000	415,000	-	-
A Dickens	22,649	-	-	22,649	2,090	-	-	150,000	174,739	-	-

Notes in relation to the table of directors and executive officers' remuneration

- A. The short term incentive bonus is for performance during the respective financial year using the criteria set out on page 16. The amount was determined after performance reviews were completed and approved by the Board.
- B. The fair value of the options is calculated at the date of grant using a binomial option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. Non-market conditions, adjusted for probability of achieving agreed performance hurdles, have been taken into account within the valuation model.
- C. Other long term employee benefits represents the long service expense accrued for the period.

(i) represents amount accrued but unpaid in 2008 (ii) represents amount expensed in 2008 – total actual long service leave paid from provision \$126,729

Remuneration report - audited (continued)

Remuneration Review (continued)

Remuneration of Directors and executive officers' (Company and Consolidated) (continued)

The following factors and assumptions were used in determining the fair value of the options on grant date.

	September 2007	November 2007
Grant date of options	September 2007	November 2007
Fair value at grant date	\$0.861	\$0.858
Share price	\$1.85	\$1.85
Exercise price	\$1.84	\$1.84
Expected volatility	50%	50%
Option life	4 years	4 years
Expected dividends	Nil	Nil
Risk free interest rate (based on government bonds)	6.33%	6.49%

Details of performance related remuneration

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed on page 15.

Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Company, each of the five named Company executives and relevant Group executives and other key management personnel are detailed below.

	Short term incentive bonus		
	Included in remuneration (A)	% vested in year	% forfeited in year (B)
Executives			
Mr P George	50,000	100%	nil
Mr BT Coverdale	34,864	100%	nil

(A) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria.

(B) Amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

Bonuses in respect of the 2008 financial year will be awarded and paid in the 2009 financial year.

Equity instruments

All options refer to options over ordinary shares of Nylex Limited, which are exercisable on a one-for-one basis under the Executive Share Option Plan.

Details of options over ordinary shares in the Company that were granted as compensation to key management personnel during the reporting period and details of options that vested during the reporting period are as follows:

	Number of options granted during 2008	Grant date	Fair value per option at grant date	Exercise price of option	Expiry date of options	Number of options vested during 2008
Directors						
Mr P George	350,000	14 November 2007	\$0.858	\$1.84	13 November 2012	-
Executives						
Mr KA Latchford	250,000	28 September 2007	\$0.861	\$1.84	27 September 2012	-
Mr BT Coverdale	250,000	28 September 2007	\$0.861	\$1.84	27 September 2012	-
Mr DG Armstrong	200,000	28 September 2007	\$0.861	\$1.84	27 September 2012	-

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

Options and rights over equity instruments granted as compensation

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable three years from grant date. In addition to a continuing employment service condition, the ability to exercise the options is conditional on the Group achieving certain performance hurdles. Details of the performance criteria are included in the long-term incentives discussion on page 16. For options granted in the current year, the earliest exercise date is 27 September 2010.

Remuneration report - audited (continued)

Remuneration Review (continued)

Remuneration of Directors and executive officers' (Company and Consolidated) (continued)

No terms of equity-settled share based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

During the reporting period no shares were issued on the exercise of options previously granted as compensation.

Analysis of options and rights over equity instruments granted as compensation

Details of the vesting profile of the options granted as remuneration to each key management person of the Group and each of the five named Company executives and relevant Group executives are detailed below.

	Options granted		% vested in year	% forfeited in year (A)	Financial years in which grant vests	Number of options vested
	Number	Grant date				
Executive Director						
Mr P George	350,000	14 November 2007	-	33%	13 November 2010	-
Executives						
Mr KA Latchford	250,000	28 September 2007	-	32%	27 September 2010	-
Mr BT Coverdale	250,000	28 September 2007	-	32%	27 September 2010	-
Mr DG Armstrong	200,000	28 September 2007	-	32%	27 September 2010	-

(A) The % forfeited in the year represents the reduction from the maximum number of options available to vest due to the highest level performance criteria not being achieved.

Analysis of movements in options - audited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person of the Group and each of the five named Company executives and relevant Group executives is detailed below.

<i>In AUD</i>	Granted in year (A)	Value of options exercised in year	Forfeited/lapsed in year (B)	Total value options outstanding
Executives				
Mr P George	5,148	-	-	5,148
Mr KA Latchford	3,875	-	-	3,875
Mr BT Coverdale	3,875	-	-	3,875
Mr DG Armstrong	3,013	-	-	3,013

(A) The value of options granted in the year is the fair value of the options calculated at grant date using a binomial option-pricing model, adjusted at balance date for the probability of achieving the market related performance hurdles attached to each tranche of grant of options ranging from nil% to 5%. The total value at balance date of the options granted in the year is included in the table above. This amount is allocated to remuneration over the vesting period. A total of \$2,634 (net of tax) was recorded in the Income Statement for the 2008 financial year.

(B) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapses using a binomial option-pricing model based on a probability of 0%.

Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit & Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the company and have been reviewed by the Audit & Risk committee to ensure that they do not impact the integrity and objectivity of the auditor, and
- The non-audit services provided do not undermine the general principles relating to the auditor independence as set out in APES110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 40 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 24 of the annual report and forms part of the Directors' Report for the financial year ended 30 June 2008.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors



P George
Executive Chairman
Melbourne
9 October 2008



The Board of Directors
Nylex Limited
50 – 70 Stanley Drive
SOMERTON VIC 3062

9 October 2008

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

To: the directors of Nylex Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Michael Bray
Partner

Melbourne
9 October 2008



Independent audit report to the members of Nylex Limited

Report on the financial report

We have audited the accompanying financial report of Nylex Limited (the “Company”), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 44 and the directors’ declaration of the Group comprising the Company and the entities it controlled at the year’s end or from time to time during the financial year.

Directors’ responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor’s responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company’s and the Group’s financial position and of their performance.

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

Independence

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

Auditor’s opinion

In our opinion:

- (a) the financial report of Nylex Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company’s and the Group’s financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2(a).



Material uncertainty regarding continuation as a going concern

Without qualification to the above opinion, we draw attention to the following matters within note 2(e) to the financial statements:

- Under the terms of its banking facility the Group is required to meet mandatory repayment terms which require repayments by 31 March 2009, 30 June 2009 and 30 September 2009 and to refinance or repay the remaining facility by 31 October 2009. The ability of the Group to meet its obligations under the banking facility cannot presently be determined with certainty, although as outlined in note 2(e), the directors anticipate this will occur through a combination of cash generated from operations, asset sales, alternate financing or a market sponsored event and accordingly the financial report has been prepared on the going concern basis.
- Further, the banking facility is subject to review by 31 January 2009. Following the review, the lenders' will have the unfettered ability to review and vary the terms on which the facility is provided at their absolute discretion. The result of the review by the lenders' and the implications for the banking facility agreement cannot presently be determined with certainty, although as outlined in note 2(e) the directors anticipate that the lenders will not exercise their discretion to materially alter the terms of the facility as a result of the review.

The existence of these matters casts significant uncertainty regarding the group's ability to continue as a going concern and therefore whether the Group is able to realise its assets and extinguish its liabilities in the normal course of business at the amounts recognised in the financial statements.

Report on the remuneration report

We have audited the Remuneration Report included on pages 15 to 22 of the directors' report for the year ended 30 June 2008. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Nylex Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Michael Bray
Partner
Melbourne
9 October 2008

Directors' declaration

- 1) In the opinion of the Directors of Nylex Limited (the Company):
 - (a) the attached financial statements and notes, set out on pages 28 to 79, and the Remuneration report in the Directors' report, set out on pages 15 to 22, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2) There are reasonable grounds to believe that the Company and the Group entities identified in Note 1 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.
- 3) The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Executive Chairman and Chief Financial Officer for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors:



P George
Executive Chairman
Melbourne

9 October 2008

Income statements for the financial year ended 30 June 2008

<i>In thousands of AUD</i>	Note	Consolidated		Company	
		2008	2007	2008	2007
			Restated		
Revenue from sale of goods	4	274,763	308,046	-	-
Cost of sales		(215,473)	(236,643)	-	-
Gross profit		59,290	71,403	-	-
Other income	5	4,673	7,456	686	43,229
Share of profit of equity accounted investment, net of income tax	13	487	248	-	-
Distribution expenses		(22,767)	(28,045)	-	-
Marketing expenses		(16,612)	(18,051)	-	-
Administration expenses		(20,235)	(19,452)	(7,213)	(1,171)
Other expenses		(16,738)	(5,308)	(50,828)	(15,489)
(Loss)/profit from operating activities		(11,902)	8,251	(57,355)	26,569
Finance income		254	867	11,112	9,812
Finance expenses					
- interest on bank debt and convertible notes and other costs of finance	6	(6,707)	(8,111)	(5,466)	(7,118)
- notional financial expenses relating to capital raising	6	(1,139)	(1,589)	(1,139)	(1,589)
		(7,846)	(9,700)	(6,605)	(8,707)
Net finance (expense)/income		(7,592)	(8,833)	4,507	1,105
(Loss)/profit before income tax		(19,494)	(582)	(52,848)	27,674
Income tax (expense)/benefit	7	(1,802)	11,496	4,995	10,519
(Loss)/profit for the period		(21,296)	10,914	(47,853)	38,193
Attributable to:					
Equity holders of the company		(21,296)	10,914	(47,853)	38,193
Minority interest		-	-	-	-
		(21,296)	10,914	(47,853)	38,193
Earnings per share:					
Basic (cents per share)	28	(51.2)	34.3		
Diluted (cents per share)	28	(51.2)	25.6		

Notes to the financial statements are included on pages 32 to 79.

Balance sheets as at 30 June 2008

<i>In thousands of AUD</i>	Note	Consolidated		Company	
		2008	2007	2008	2007
	44		Restated		Restated
Current assets					
Cash and cash equivalents	41	6,657	3,541	4,673	1,694
Trade and other receivables	8	46,892	60,523	760,037	714,001
Other financial assets	9	538	-	538	-
Inventories	10	48,216	54,142	-	-
Other	11	1,430	1,797	182	456
Total current assets		103,733	120,003	765,430	716,151
Non-current assets					
Trade and other receivables	12	610	1,016	-	-
Investments accounted for using the equity method	13	1,430	943	-	-
Other financial assets and other assets	14	119	737	119	693
Property, plant and equipment	15	48,723	54,049	399	564
Deferred tax assets	7	13,869	15,770	8,868	9,447
Goodwill	16	6,261	8,653	-	-
Other intangible assets	17	14,548	20,643	-	19
Total non-current assets		85,560	101,811	9,386	10,723
Total assets		189,293	221,814	774,816	726,874
Current liabilities					
Trade and other payables	18	31,301	42,257	1,307	2,425
Borrowings	19	55,229	18,849	680,824	552,908
Provisions	20	11,540	15,182	4,176	4,068
Total current liabilities		98,070	76,288	686,307	559,401
Non-current liabilities					
Borrowings	21	-	37,800	-	37,800
Provisions	22	2,900	3,789	186	580
Total non-current liabilities		2,900	41,589	186	38,380
Total liabilities		100,970	117,877	686,493	597,781
Net assets		88,323	103,937	88,323	129,093
Equity					
Issued capital	25	682,188	673,574	682,188	673,574
Reserves	26	2,278	5,213	2,463	3,997
Accumulated losses	27	(596,143)	(574,850)	(596,328)	(548,478)
		88,323	103,937	88,323	129,093
Total equity attributable to equity holders of the Company		88,323	103,937	88,323	129,093
Minority interest		-	-	-	-
Total equity		88,323	103,937	88,323	129,093

Notes to the financial statements are included on pages 32 to 79.

Statements of changes in equity for the financial year ended 30 June 2008

In thousands of AUD

CONSOLIDATED	Issued capital	Translation reserve	Convertible Notes issue reserve	Facilitation options reserve	Accumulated losses	Total
Balance at 1 July 2006 (restated)	655,134	(351)	-	-	(585,678)	69,105
Net foreign currency translation differences recognised directly in equity	-	1,567	-	-	-	1,567
Profit for the year previously reported	-	-	-	-	11,939	11,939
Net restatement (note 44)	-	-	-	-	(1,025)	(1,025)
Total recognised income and expense	-	1,567	-	-	10,914	12,481
Transactions with equity holders in their capacity as equity holders:						
Share placement	20,036	-	-	-	-	20,036
Share placement issue costs (net of tax)	(1,762)	-	-	475	-	(1,287)
Equity component of convertible notes issued (net of tax)	-	-	2,501	-	-	2,501
Convertible Notes issue costs	-	-	(361)	1,404	-	1,043
Conversion of Notes to issued capital	166	-	(22)	-	-	144
Other	-	-	-	-	(86)	(86)
Balance at 30 June 2007 (restated)	673,574	1,216	2,118	1,879	(574,850)	103,937
Net foreign currency translation differences recognised directly in equity	-	(1,401)	-	-	-	(1,401)
Loss for the year	-	-	-	-	(21,296)	(21,296)
Total recognised income and expense	-	(1,401)	-	-	(21,296)	(20,197)
Transactions with equity holders in their capacity as equity holders:						
Conversion of Notes to issued capital	8,595	-	(1,534)	-	-	7,061
Exercise of options to issued capital	19	-	-	-	-	19
Equity settled transactions (net of tax)	-	-	-	-	3	3
Balance at 30 June 2008	682,188	(185)	584	1,879	(596,143)	88,323
COMPANY						
Balance at 1 July 2006 (restated) (note 44)	655,134	-	-	-	(586,671)	68,463
Profit for the year	-	-	-	-	38,193	38,193
Total recognised income and expense	-	-	-	-	38,193	38,193
Transactions with equity holders in their capacity as equity holders:						
Share placement	20,036	-	-	-	-	20,036
Share placement issue costs (net of tax)	(1,762)	-	-	475	-	(1,287)
Equity component of convertible notes issued (net of tax)	-	-	2,501	-	-	2,501
Convertible Notes issue costs	-	-	(361)	1,404	-	1,043
Conversion of Notes to issued capital	166	-	(22)	-	-	144
Balance at 30 June 2007 (restated)	673,574	-	2,118	1,879	(548,478)	129,093
Loss for the year	-	-	-	-	(47,853)	(47,853)
Total recognised income and expense	-	-	-	-	(47,853)	(47,853)
Transactions with equity holders in their capacity as equity holders:						
Conversion of Notes to issued capital	8,595	-	(1,534)	-	-	7,061
Exercise of options to issued capital	19	-	-	-	-	19
Equity settled transactions (net of tax)	-	-	-	-	3	3
Balance at 30 June 2008	682,188	-	584	1,879	(596,328)	88,323

Notes to the financial statements are included on pages 32 to 79.

Cash flow statements for the financial year ended 30 June 2008

<i>In thousands of AUD</i>	Note	Consolidated		Company	
		2008	2007	2008	2007
Cash flows from operating activities					
Receipts from customers		314,630	337,543	358	-
Payments to suppliers and employees		(307,519)	(343,563)	(9,238)	(14,134)
Legal settlements		(200)	3,270	(200)	3,270
Insurance proceeds		386	25	386	25
Cash generated/(used) in operations		7,297	(2,725)	(8,694)	(10,839)
Interest received		254	958	156	958
Interest and other costs of finance paid		(6,967)	(8,790)	(6,032)	(7,794)
Net cash from/(used) in operating activities	41(c)	584	(10,557)	(14,570)	(17,675)
Cash flows from investing activities					
Payment for property, plant and equipment		(3,315)	(6,383)	(18)	(23)
Proceeds from sale of property, plant and equipment		1,328	62	-	-
Proceeds from sale of businesses	41(b)	-	1,608	-	1,608
Net cash (used in)/provided by investing activities		(1,987)	(4,713)	(18)	1,585
Cash flows from financing activities					
Proceeds from issues of equity securities		-	20,036	-	20,036
Payment for share issue costs		-	(1,287)	-	(1,287)
Proceeds from the issue of convertible notes		-	20,003	-	20,003
Payment of convertible notes issue costs		-	(612)	-	(612)
Proceeds from exercise of options		19	44	19	44
Payment for new borrowing costs		-	(913)	-	(913)
Proceeds from borrowings		4,500	41,300	4,500	41,300
Repayment of borrowings		-	(54,689)	-	(54,611)
Net receipt/(payment) from internal funding		-	-	13,048	-
Net cash provided by financing activities		4,519	23,882	17,567	23,960
Net increase in cash and cash equivalents		3,116	8,612	2,979	7,870
Cash and cash equivalents at the beginning of the year		3,541	(5,071)	1,694	(6,176)
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	-	-	-
Cash and cash equivalents at the end of the year	41(a)	6,657	3,541	4,673	1,694

Notes to the financial statements are included on pages 32 to 79.

Notes to the financial statements for the financial year ended 30 June 2008

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1. Reporting entity

Nylex Limited (the Company) is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in its jointly controlled entity. The Group is a diversified industrial manufacturer and distributor of branded products.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and other mandatory professional reporting requirements. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for annual reporting periods beginning on or before 1 January 2007. These Standards and Interpretations give rise to additional disclosures without material effect on the financial statements of the Group and the Company.

The financial statements were approved by the Board of Directors on 9 October 2008.

(b) Basis of measurement

The financial report has been prepared on the basis of historical cost, except for the revaluation of land and buildings and derivative financial instruments, which have been measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 2(e) – going concern; Note 5 - recognition of government grants; Note 7 – utilisation of tax losses; Note 15 - revaluation of land and buildings; Note 24 – measurement of defined benefit obligations; Note 16 and 17 – measurement of recoverable amounts of cash generating units; Notes 23 and 32 – provisions and contingencies; Note 30 – measurement of share-based payments; Note 33 - lease classification and Note 43 – valuation of financial instruments.

(e) Going concern basis of accounting

The financial report has been prepared on a going concern basis, which assumes that:

- the Group will execute new banking facilities, which have been agreed subsequent to 30 June 2008 with ANZ and Westpac ("the lenders") but which are subject to execution of documentation;
- the Group will be able to meet mandatory repayment terms of the facility which require repayments by 31 March 2009, 30 June 2009 and 30 September 2009; and
- the Group will be able to refinance or repay the banking facility in full by 31 October 2009.

Notwithstanding the above, the facilities are subject to review by 31 January 2009. The lenders will undertake a review which will include (but is not limited to) a review of:

- the financial performance of the Group against budget;
- the progress of the One Nylex initiatives; and
- the progress of planned divestments and capital raisings to meet mandatory requirements.

Following the review, the lenders will have the unfettered ability to review and vary the terms at their absolute discretion on which the facility is provided. The Directors believe that the lenders will not exercise their discretion to materially alter the terms of the facility as a result of the review.

The Directors believe that the repayment of the facility will occur as required. The Board, subsequent to the year end, has approved a plan to realise capital amounts from the sale of certain assets currently held on the Group's balance sheet. While the sale process is confidential the Board is confident that asset sales will be finalised prior to 31 March 2009 and that the proceeds will be sufficient to meet the mandatory repayment at that date. The Directors anticipate that the additional repayments in June 2009 and September 2009 will be met out of cash generated by the Group or from alternative forms of capital raising such as further asset sales, an alternative financing or a market sponsored event such as a rights or note issue or private placement.

2. Basis of preparation (continued)

(e) Going concern basis of accounting (continued)

The Directors acknowledge that uncertainty remains over the ability of the Group to meet its funding requirements and to refinance or repay the banking facility by 31 October 2009. However, as highlighted above, the financial report has been prepared on a going concern basis. If for any reason the Group is unable to operate as a going concern, there would be an associated impact on its ability to realise assets at their recognised values, in particular goodwill, other intangible assets, deferred tax assets, investments in jointly controlled entities, property, plant and equipment and to extinguish liabilities in the normal course of business and at the amounts stated in the financial report.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group unless stated otherwise.

The Directors have elected to early adopt the following Accounting Standards and Interpretations even though the pronouncements are not required to be applied until subsequent reporting periods:

- AASB 123 *Borrowing Costs*,
- AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123*; and
- Interpretation 4 *Determining whether an Arrangement contains a Lease (revised)*.

These changes in accounting policy had no impact in the current year. The comparative income statement and balance sheet for the Group and the Company have been restated see note 44.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 30 June each year.

Subsidiaries are entities controlled by the Group. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date at which control is transferred out of the Group. A list of subsidiaries appears in note 34 to the financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Investments in subsidiaries are carried at cost, less accumulated impairment losses in the Company's financial statements.

All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full in preparing the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

Interests in jointly controlled entities are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees from the date that joint control commenced until joint control ceases.

(b) Financial instruments

(i) *Non-derivative financial instruments*

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

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

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument and derecognised when the Group's contractual rights to the cash flows from the asset expire or if the group transfers the risks and rewards of the asset to another party without retaining control. The purchase and sale of financial assets are accounted for at the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

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

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments and 'available-for-sale' financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(ii) *Derivative financial instruments*

The Group holds derivative financial instruments to hedge its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 43 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Derivatives are not designated as effective hedges and therefore the resulting gain or loss is recognised in profit or loss immediately.

(iii) *Compound financial instruments*

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder. The component parts of the compound instruments are classified as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon reaching maturity. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

Interest, dividend, losses and gains relating the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

(iv) *Share capital*

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

(c) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions to defined contribution superannuation plans are recognised as a personnel expense when incurred.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on Commonwealth bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method.

The defined benefit asset/(obligation) recognised in the balance sheet represents the present value of the defined benefit asset/(obligation), adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. Nylex Limited recognises all actuarial gains and losses arising from defined benefit plans directly in profit and loss in the period in which they arise.

Other employee benefits

Provision is made for benefits accruing to employees, including any on-costs, in respect of wages and salaries, annual leave, long service leave, and where required by applicable union awards, sick leave, when it is probable that settlement will be required and they are capable of being measured reliably.

3. Significant accounting policies (continued)

(c) Employee benefits (continued)

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at the undiscounted amounts that the Group expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Termination benefits

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

Share based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

(d) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are translated to functional currency using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated to functional currency at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated to functional currency at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- (i) exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings; and
- (ii) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated to Australian dollars at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences are recognised directly in equity within the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or full, the relevant amount in the FCTR is transferred to the profit or loss.

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

(e) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(f) Intangible assets

(i) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. See also note 3(j).

(ii) Other intangible assets

Brand Names

Brand names are recorded at cost. Indefinite life brand names are not amortised but tested for impairment annually and whenever there is an indication that the brand name may be impaired. Other brand names are amortised on a straight line basis over their estimated useful lives of 50 years. The estimated useful life is reviewed at the end of each annual reporting period.

Intellectual Property

Intellectual property relates to the blow moulding process obtained on the acquisition of the Nylex Fuel Tanks business (Exacto). Intellectual property is measured at cost and amortised on a straight line basis over its estimated useful life of 8 years. The estimated useful life is reviewed at the end of each annual reporting period.

3. Significant accounting policies (continued)

(f) Intangible assets (continued)

Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Capitalised development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the probability that the intangible asset will generate sufficient future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The expenditure capitalised includes the cost of material, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in the profit or loss as incurred. Internally-generated intangible assets are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful lives.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Amortisation

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

• brand names- definite life	50 years
• brand names – indefinite life	nil
• intellectual property	8 years
• capitalised development costs	8 years
• software	3 years

(g) Property, plant and equipment

(i) *Recognition and measurement*

Land and buildings are stated at their fair values. Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment at 1 July 2004, the date of transition to AASB's was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Costs may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related capitalised equipment is capitalised as part of the equipment.

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

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

(ii) *Depreciation*

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leased assets are depreciated over the shorter of the lease term and their estimated useful life, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

3. Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

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

- Buildings 5 – 50 years
- Leasehold improvements 5 – 20 years
- Plant and equipment 3 – 13 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Any revaluation increase arising on the revaluation of land and buildings is credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as expense in the profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. Depreciation on revalued buildings is charged to profit or loss.

(h) Leased assets

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

Certain properties leased by the Group are sub-let to third parties. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

(j) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that the asset has suffered an impairment loss. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

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

All impairment losses are recognised in profit or loss. Any cumulative losses in respect of an available-for-sale-financial-asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amount of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such impairment indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (cash generating unit). The goodwill acquired in a business combination, for the purposes of impairment testing, is allocated to cash generating units that are expected to benefit from the synergies of the combination.

~~(ii) Non-financial assets (continued)~~

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

3. Significant accounting policies (continued)

(j) Impairment (continued)

(ii) *Non-financial assets (continued)*

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Non-current assets held for sale

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

(l) Provisions

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

Claims

Provision for claims represents the estimated liability associated with warranty and legal claims on the sale of products and services. A provision in respect of a claim is recognised when a claim is made on the underlying products or services.

Restructuring and termination costs

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Onerous lease contracts

An onerous lease contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceeds the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

Onerous lease contracts include provisions made for non-cancellable operating lease rentals payable on surplus leased premises when it is determined that no substantive future benefit will be obtained from its occupancy. The provision is calculated based on the present value of the total expected outlay relating to the surplus space as specified under the lease agreement less expected lease rentals.

Environmental rehabilitation

The provision for environmental rehabilitation represents the current best estimate of the expected future make good costs the entity has a current obligation to make at the reporting date. The estimate is calculated based on discounted future cash flows. Changes in estimates are dealt with on a prospective basis.

(m) Revenue

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Transfer of risk usually occurs when the product is received at the customer's warehouse; however for international shipments transfer occurs upon loading the goods onto the relevant carrier.

(n) Government grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity. The Group is eligible to claim import duty credits under the Australian Competitiveness and Investment Scheme ("ACIS") based on investment undertaken of approved plant and equipment and investment in approved automotive related research and development.

ACIS income is recognised when claims are submitted to AusIndustry on the basis that the Group will continue to comply with the required conditions attaching to the grant. Government grants compensate the Group for expenses or losses already incurred and are recognised as income during the period in which the claim is made and the expenses are recognised.

3. Significant accounting policies (continued)

(o) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(p) Finance income and expenses

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through the profit and loss and gains on hedging instruments that are recognised in the profit or loss. Dividend revenue is recognised in the financial statements on the date that the Group's right to receive payment is established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in fair value of financial assets, and losses on hedging instruments that are recognised in profit and loss. All borrowing costs are recognised in the profit and loss using the effective interest method.

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

(q) Income tax

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities in the financial reporting purposes and the amounts used for taxation purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority on the same taxable entity, and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or the excess in acquired interests in net fair value of identifiable assets, liabilities and contingent liabilities at cost.

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

(i) Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. As a consequence, all members of the tax consolidated group are taxed as a single entity from the date on which the tax consolidation was entered into. Nylex Limited is the head entity in the tax-consolidated group.

3. Significant accounting policies (continued)

(q) Income tax (continued)

(i) Tax consolidation (continued)

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 and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable/receivable to/from other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. 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 are recognised by the head entity only.

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

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 7 to the financial statements.

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. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(r) Goods and services tax

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

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

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

(s) Discontinued operations

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

(t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options, including those issued to management.

(u) Segment reporting

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly loans and borrowings and related expenses, and head office expenses and income tax assets and liabilities.

3. Significant accounting policies (continued)

(v) Adoption of new accounting standards

In the current year, the Group has adopted the following new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. These new standards have only affected disclosures and therefore have not changed the Group's accounting policies:

- AASB 7 – *Financial instruments disclosure*
- AASB 101 – *Presentation of financial statements*
- AASB 2008-4 *Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities*

In addition the following standards, amendments to standards and interpretations which are available for early adoption at 30 June 2008, have been early adopted:

- AASB 123 *Borrowing Costs*,
- AASB 2007- 6 *Amendments to Australian Accounting Standards arising from AASB 123; and*
- Interpretation 4 *Determining whether an Arrangement contains a Lease (revised)*.

The adoption of the above standards has only affected the disclosure required within the financial report and has not affected the amounts reported for the current or prior years.

(w) Accounting standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. The revised standard becomes mandatory for the Group's 2010 financial statements. The potential effect on the company's financial report has not been determined.
- AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the company and the consolidated entity as the standard is only concerned with disclosures.
- AASB 101 *Presentation of Financial Statements* introduces as a financial statement the statement of "comprehensive income". The revised standard will become mandatory for the Group's 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Interpretation 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous financial interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost from 1 July 2004 (ie the date that the Group first applied the measurement criteria of AASB 136 and AASB 139). There has been no write back of an impairment loss in respect of the assets referred to above in the consolidated entity or the company.
- AASB 2008-1 *Amendments to Australian Accounting Standards - Share-based Payment: Vesting conditions and cancellations* changes the measurement of share-based payments that contain non-vesting conditions. It is mandatory for the Group's 2010 financial statements. The potential effect on the company's financial report has not yet been determined.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation* provides transitional relief for financial instruments puttable only on liquidation that had both debt and equity components prior to the adoption of the amendments. The Group has no current exposure to financial instruments puttable on liquidation.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- Interpretation 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in customer loyalty programmes for their customers. It becomes mandatory for the Group's 30 June 2009 financial statements. The potential effect on the Group's financial report has not yet been determined.
- Interpretation 14 *AASB119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. This amendment will clarify when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available. It becomes mandatory for the Group's 30 June 2009 financial statements with retrospective application required. The potential effect on the Group's financial report has not yet been determined.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

In thousands of AUD

4. Revenue

An analysis of the Group's revenue for the year is as follows:

Revenue from the sale of goods

Total revenue

	Consolidated		Company	
	2008	2007	2008	2007
		Restated		
Revenue from the sale of goods	274,763	308,046	-	-
Total revenue	274,673	308,046	-	-

5. Profit for the year

(a) Other income

Profit for the year has been arrived at after crediting the following gains:

Reimbursement of capital spend from customer
Net gain on disposal of property, plant and equipment
Gain on sale of business
Government grants (i)
Gain on change in value of defined benefit super fund
Legal settlements (net of costs)
Net foreign exchange gain
Increment on revaluation of receivables from subsidiaries
Other (aggregate of immaterial items)

Reimbursement of capital spend from customer	2,820	-	-	-
Net gain on disposal of property, plant and equipment	-	335	-	-
Gain on sale of business	-	1,608	-	1,608
Government grants (i)	1,473	3,760	358	-
Gain on change in value of defined benefit super fund	-	760	-	760
Legal settlements (net of costs)	-	502	-	502
Net foreign exchange gain	72	66	-	66
Increment on revaluation of receivables from subsidiaries	-	-	-	39,868
Other (aggregate of immaterial items)	308	425	328	425
	4,673	7,456	686	43,229

- (i) The Group is eligible to claim import duty credits under a Federal Government initiative, ACIS, based on a percentage of expenditure resulting from investment undertaken on approved plant and equipment or investment undertaken in approved automotive related research and development.

The Group accounts for ACIS funding by recording income as claims are submitted to AusIndustry. In recording the ACIS receivable the Group expects that:

- the Group will continue to comply with the required minimum automotive production thresholds; and
- modulation of credits is 0.63.

The value of credits at 30 June 2008 is \$1,994,000.

(b) Other expenses

Profit/(loss) for the year has been arrived at after charging the following expenses:

Impairment of property, plant & equipment
Impairment of intangible assets
Impairment losses reversed on property
Net (decrement)/increment on revaluation/impairment
Impairment of receivables:
-Subsidiaries
-Other entities
Depreciation of property, plant & equipment
Amortisation of intangible assets
Research and development costs immediately expensed
Operating lease rental expenses:
Minimum lease payments -plant
- property
Sub-lease payments received

Impairment of property, plant & equipment	(585)	(4,328)	-	-
Impairment of intangible assets	(7,350)	-	-	-
Impairment losses reversed on property	-	5,030	-	-
Net (decrement)/increment on revaluation/impairment	(7,935)	702	-	-
Impairment of receivables:				
-Subsidiaries	-	-	(45,697)	-
-Other entities	-	(108)	-	(18)
Depreciation of property, plant & equipment	(7,188)	(7,372)	(181)	(216)
Amortisation of intangible assets	(1,327)	(1,383)	(19)	(81)
Research and development costs immediately expensed	(212)	(82)	-	-
Operating lease rental expenses:				
Minimum lease payments -plant	(664)	(828)	(21)	(19)
- property	(9,882)	(9,059)	(2,656)	(1,046)
Sub-lease payments received	3,125	1,441	2,580	829
Employee benefit expenses:				
Employee benefit expense	(34,436)	(32,270)	(3,845)	(2,467)
Post employment benefits:				
Defined contribution plans	(3,704)	(2,515)	(297)	(410)
Defined benefit plans	(303)	(951)	-	(951)
Termination benefits	(2,205)	-	(2,205)	-

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
6. Finance income and expense				
Interest income on bank deposits	254	867	131	867
Interest income from controlled entities	-	-	10,981	8,945
Finance income	254	867	11,112	9,812
Interest on bank debt and convertible notes and other costs of finance	(6,707)	(8,111)	(5,466)	(7,118)
Notional financial expenses relating to capital raising	(1,139)	(1,589)	(1,139)	(1,589)
Finance expense	(7,846)	(9,700)	(6,605)	(8,707)
Net finance income and expense	(7,592)	(8,833)	4,507	1,105
7. Income taxes				
(a) Income tax benefit recognised in profit or loss				-
Tax expense/(income) comprises:				
Current tax expense/(income)	2,357	3,563	(3,066)	(914)
Under/(over) provision of income tax in previous year	(1,423)	(65)	(867)	-
	934	3,498	(3,933)	(914)
Deferred tax (income)/expense relating to the origination and reversal of temporary differences	2,868	(7,770)	938	(2,366)
Deferred tax (income) relating to tax losses	(2,000)	(7,224)	(2,000)	(7,239)
	868	(14,924)	(1,062)	(9,605)
Total tax expense/(income)	1,802	(11,496)	(4,995)	(10,519)
The prima facie income tax (expense)/income on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
(Loss)/profit before tax	(19,494)	(582)	(52,848)	27,674
Income tax expense/(income) calculated at 30%	(5,848)	(175)	(15,854)	8,302
Overseas tax rate differential	-	135	-	-
Non-deductible expenses	28	5	18	(1)
Amortisation of non current assets	193	-	-	-
Impairment of intangible assets	2,205	-	-	-
Non-assessable amounts	(146)	-	-	-
Unused tax losses and tax offsets not recognised as deferred tax assets	-	-	-	-
Unused tax losses, tax offsets and timing differences not previously brought to account now booked	(2,000)	(11,396)	(2,000)	(5,354)
Non-deductible and non-assessable amounts related to transactions within the tax consolidated group	8,793	-	13,708	(13,466)
Over provision of income tax in previous year	(1,423)	(65)	(867)	-
Total tax expense/(income)	1,802	(11,496)	(4,995)	(10,519)
The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.				
(b) Income tax recognised directly in equity				
The following current and deferred amounts were charged directly to equity during the period:				
Initial recognition of equity component of compound financial instruments	-	1,071	-	1,071

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
7. Income taxes (continued)				
(c) Deferred tax balances				
Deferred tax assets comprise:				
Tax losses: Revenue	6,266	6,802	5,476	6,010
Temporary differences	7,603	8,968	3,392	3,437
	13,869	15,770	8,868	9,447

Taxable and deductible temporary differences recognised as deferred tax assets and liabilities arise from the following:

Consolidated

<i>In thousands of AUD</i>	Opening balance	Charged to income	Charged to equity	Changes in tax rate	Closing balance
2008					
<i>Temporary differences:</i>					
Accrued expenses	447	(378)	-	-	70
Employee benefit provision	2,974	(28)	-	2	2,946
Inventory provisions	943	(88)	-	-	854
Doubtful debts	51	502	-	-	553
Claims	685	232	-	-	917
Surplus lease and restoration	1,974	(1,974)	-	-	-
Borrowing costs	1,930	(192)	-	-	1,738
Unclaimed business related costs	3,259	(1,629)	-	-	1,630
Restructuring	-	661	-	-	661
Plant and equipment	(2,668)	1,477	-	-	(1,192)
Accrued income	(932)	245	-	-	(688)
Other	305	(190)	-	-	114
Total temporary differences	8,968	(1,363)	-	2	7,603
2007					
<i>Temporary differences:</i>					
Accrued expenses	-	447	-	-	447
Employee benefit provision	63	2,912	-	(1)	2,974
Inventory provisions	54	893	-	(4)	943
Doubtful debts	-	51	-	-	51
Claims	-	685	-	-	685
Surplus lease and restoration	-	1,974	-	-	1,974
Borrowing costs	-	1,930	-	-	1,930
Unclaimed business related costs	-	3,259	-	-	3,259
Convertible note – equity component	-	(1,071)	1,071	-	-
Plant and equipment	-	(2,668)	-	-	(2,668)
Accrued income	-	(932)	-	-	(932)
Other	15	290	-	-	305
Total temporary differences	132	7,770	1,071	(5)	8,968

7. Income taxes (continued)
(c) Deferred tax balances (continued)

Company

<i>In thousands of AUD</i>	Opening balance	Charged to income (i)	Charged to equity	Exchange differences	Closing balance
2008					
Temporary differences:					
Accrued expenses	185	(185)	-	-	-
Employee benefit provision	35	27	-	-	62
Claims	162	14	-	-	176
Surplus lease and restoration	1,198	(762)	-	-	436
Borrowing costs	1,930	(191)	-	-	1,739
Restructuring	-	662	-	-	662
Other	(73)	390	-	-	317
Total temporary differences	3,437	(45)	-	-	3,392
2007					
Temporary differences:					
Accrued expenses	-	185	-	-	185
Employee benefit provision	-	35	-	-	35
Claims	-	162	-	-	162
Surplus lease and restoration	-	1,198	-	-	1,198
Borrowing costs	-	1,930	-	-	1,930
Convertible note - equity component	-	(1,071)	1,071	-	-
Other	-	(73)	-	-	(73)
Total temporary differences	-	2,366	1,071	-	3,437

(i) Includes recognition of temporary differences relating to the Nylex tax consolidated group

In thousands of AUD

(d) Unrecognised deferred tax balances

The following deferred tax assets have not been brought to account as assets:

Tax losses:

Revenue

Capital

	Consolidated		Company	
	2008	2007	2008	2007
Revenue	45,042	48,437	38,044	39,341
Capital	41,688	41,849	34,938	35,091
Total	86,730	90,286	72,982	74,432

The comparatives have been restated to reflect the lodgement of the group income tax returns.

(e) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2002 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Nylex Limited. The members of the tax-consolidated group are identified at note 34.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Nylex Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group only when the group is in a tax payable position. The head entity also recognises current tax liabilities or assets and the deferred tax asset arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group 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.

7. Income taxes (continued)

(e) Tax consolidation (continued)

Tax consolidation contributions by (or distributions to) equity participants

There were no amounts recognised for the period under tax consolidation which related to contributions by (or distributions to) equity participants.

(f) Estimation uncertainty

Deferred taxation assets

The deferred tax assets carried by the Group have been recognised on the basis that management consider it probable that future taxable profits will be available against which they can be utilised. The recognition of deferred tax assets is dependent upon future forecast taxable profits, including interest on loans from entities outside the Australian tax consolidated group, and continued compliance with taxation laws in respect to the application of the continuity of ownership test for taxation losses. Adjustment may be required to deferred tax assets in future years to reflect any changes to the expected future taxable income and the Group's taxation compliance with loss carry forward rules.

In thousands of AUD

8. Current trade and other receivables

Trade receivables (i)
Sales allowances and accumulated impairment losses

Receivable under contract of sale
Goods and services tax (GST) recoverable
Tooling receivables
Government grants receivable
Other debtors

Amounts receivable from:

Wholly owned controlled entities
Less accumulated impairment losses

	Consolidated		Company	
	2008	2007	2008	2007
		Restated		
	40,177	51,234	-	-
	(2,715)	(2,607)	-	-
	37,462	48,627	-	-
	85	1,325	85	300
	1,389	2,057	611	842
	508	1,276	-	-
	1,680	2,763	-	-
	5,768	4,475	523	1,490
	-	-	1,007,238	914,092
	-	-	(248,420)	(202,723)
	-	-	758,818	711,369
	46,892	60,523	760,037	714,001

- (i) The average credit period on sales of goods is 30 days from end of month. No interest is charged on the trade receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. The movement in the allowance of \$0.108 million (2007: \$0.271 million) (Company: nil in 2008 and 2007) was recognised in the profit or loss for the current financial year.
- (ii) The movement in the accumulated impairment losses from wholly owned controlled entities in the Company of \$45.697million impairment (2007: \$39.868 million increment) (Group: nil in 2008 and 2007) was recognised in the profit or loss for the current financial year.

9. Other current financial assets

At fair value:

Derivative financial instruments (at fair value)
Interest receivable

	407	-	407	-
	131	-	131	-
	538	-	538	-

10. Current inventories

Raw materials:

At cost
At fair value less cost to sell

Work in progress:

At cost

Finished goods:

At cost
At fair value less cost to sell

	12,848	14,642	-	-
	-	9	-	-
	3,059	3,750	-	-
	29,949	30,204	-	-
	2,360	5,537	-	-
	48,216	54,142	-	-

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<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
11. Other current assets				Restated
Prepayments	1,430	1,797	182	456
12. Non-current receivables				
Government grants receivable	610	1,016	-	-
13. Investments accounted for using the equity method				
Investment in jointly controlled entity	1,430	943	-	-

Name of entity	Principal activity	Country of incorporation	Balance date	Ownership interest	
				2008 %	2007 %
Shanghai Nylex Automotive Components Co Ltd	Manufacturing of automotive components	People's Republic of China	31 December	50	50

<i>In thousands of AUD</i>	Consolidated	
	2008	2007
Summarised financial information of jointly controlled entity:		
<i>Financial position</i>		
Total assets	3,350	2,191
Total liabilities	(800)	(305)
Net assets	2,550	1,886
Share of jointly controlled entity's net assets	1,275	943
<i>Financial performance</i>		
Total revenue	5,540	4,816
Total profit for the year	973	496
Share of jointly controlled entity's profit	487	248
Share of jointly controlled entity profit or loss:		
Share of profit before income tax	487	248
Income tax expense	-	-
Share of net profit accounted for using the equity method	487	248

Dividends received from joint venture

During the year, the consolidated entity received no dividends (2007: nil) from its jointly controlled entity.

Contingent liabilities and capital commitments

The jointly controlled entity does not have any contingent liability and capital commitments.

The company is joint and severally liable for all the liabilities of Shanghai Nylex Automotive Components Co Ltd, as detailed above.

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
14. Non-current other financial and other assets				
(a) Financial assets				
Derivative financial instruments (at fair value)	-	247	-	247
Other	-	44	-	-
	-	291	-	247
(b) Other assets				
Defined benefit superannuation fund (note 24)	119	446	119	446
	119	737	119	693

15. Property, plant and equipment

<i>In thousands of AUD</i>	Consolidated				
	Freehold land at fair value	Buildings at fair value	Leasehold improvements at cost	Plant and equipment at cost	Total
Gross carrying amount					
Balance at 1 July 2006	330	1,212	3,106	76,042	80,690
Additions	-	-	163	7,367	7,530
Disposals	(145)	(591)	(33)	(1,915)	(2,684)
Net foreign currency exchange differences	-	-	14	134	148
Revaluation	2,100	2,930	-	-	5,030
Impairment/recoverable amount write down	-	-	-	(4,328)	(4,328)
Other	-	970	(15)	-	955
Balance at 30 June 2007	2,285	4,521	3,235	77,300	87,341
Additions	-	-	51	3,308	3,359
Disposals	-	-	(648)	(4,383)	(5,031)
Net foreign currency exchange differences	-	-	(18)	(169)	(187)
Impairment/recoverable amount write down	-	-	(126)	(1,179)	(1,305)
Balance at 30 June 2008	2,285	4,521	2,494	74,877	84,177
Accumulated depreciation/amortisation and impairment					
Balance at 1 July 2006	-	(28)	(1,248)	(25,338)	(26,614)
Disposals	-	-	33	715	748
Depreciation expense	-	(45)	(343)	(6,984)	(7,372)
Net foreign currency exchange differences	-	-	(4)	(50)	(54)
Balance at 30 June 2007	-	(73)	(1,562)	(31,657)	(33,292)
Disposals	-	-	437	3,712	4,149
Depreciation expense	-	(32)	(339)	(6,817)	(7,188)
Impairment/recoverable amount write down	-	-	35	685	720
Net foreign currency exchange differences	-	-	5	152	157
Balance at 30 June 2008	-	(105)	(1,424)	(33,925)	(35,454)
Net book value:					
As at 30 June 2007	2,285	4,448	1,673	45,643	54,049
As at 30 June 2008	2,285	4,416	1,070	40,952	48,723

An independent appraisal of the land and buildings (located in Beverley, South Australia and Sale, Victoria) was performed by Colliers International, certified practising valuers, property consultants and licensed real estate agents. The effective date of the appraisal was 30 June 2007. The appraisal was performed by reference to the expected sale proceeds of the properties as if the properties were sold as a separate freehold. The land portion was valued at \$2,400,000 and the buildings at \$4,350,000, totalling \$6,750,000. The Directors have determined that the carrying value of these assets of \$6,701,000 (2007: \$6,733,000) approximate fair value at 30 June 2008.

The impairment/recoverable amount write-downs in the 2008 financial year of \$585,000 relate to plant and equipment of the New Zealand consumer business. The recoverable amount of the assets of these cash generating units have been determined on a value in use basis, based on expected future cash flows discounted at 13% after tax (2007: 12.2%). The performance of this business unit was adversely impacted by the continued tight trading conditions in New Zealand.

The impairment/recoverable amount write-downs in the 2007 financial year of \$4,328,000 relate to plant and equipment of the Exacto Interior Trim Systems business and the auto assets of the Melded Fabrics business. The recoverable amount of the assets of these cash generating units have been determined on a value in use basis, based on expected future cash flows discounted at 10.9% post tax. The performance of these units was adversely impacted by the continued tight trading conditions in the domestic motor vehicle manufacturing industry.

15. Property, plant and equipment (continued)

In thousands of AUD

	Company Plant and equipment at cost
Gross carrying amount	
Balance at 1 July 2006	1,345
Disposals	(15)
Balance at 30 June 2007	1,330
Additions	16
Disposals	-
Balance at 30 June 2008	1,346
Accumulated depreciation/ amortisation and impairment	
Balance at 1 July 2006	(727)
Depreciation expense	(216)
Write back of accumulated amortisation	177
Balance at 30 June 2007	(766)
Depreciation expense	(181)
Balance at 30 June 2008	(947)
Net book value	
As at 30 June 2007	564
As at 30 June 2008	399

In thousands of AUD

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

	Consolidated		Company	
	2008	2007	2008	2007
Buildings	32	45	-	-
Leasehold improvements	339	343	-	-
Plant and equipment	6,817	6,984	181	216
Depreciation Expense	7,188	7,372	181	216

16. Goodwill

At cost

Balance at end of beginning of financial year	8,653	8,653	-	-
Disposal	(42)	-	-	-
Impairment of goodwill	(2,350)	-	-	-
Balance at end of financial year	6,261	8,653	-	-

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to one individual cash-generating unit, being the Nylex Water business.

The Nylex Water business manufactures and distributes water tanks. It operates from four sites in Victoria, Queensland and New South Wales. Each site provides similar products for their local markets and the recoverable amounts are based on similar key assumptions.

The recoverable amount of the Nylex Water cash generating unit was determined on a value in use basis. The carrying amount of the Nylex Water business was determined to be higher than its recoverable amount and an impairment loss of \$2,350,000 (2007: nil) was recognised. The impairment loss was allocated fully to goodwill, and is included in other expenses in the Income Statement.

16. Goodwill (continued)

Allocation of goodwill to cash-generating units

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:-

- Cash flows were projected based on actual operating results and financial budgets approved by management, covering a three year fixed period.
- Revenue is projected to grow 14% over the period of the financial budgets from actual revenue achieved in 2008. Management plans to achieve annual revenue of \$44.6 million by the third year of the financial budgets after a period of significant restructure and lower sales in 2009. The water tank market was significantly affected in 2008 by drought breaking rains in Queensland and NSW, a shift in government rebate policies which combined with a large number of new entrants to the market saw significant erosion of its base.
- Average gross margin reflects margin achieved in the period immediately before the budget period, increased for efficiencies recently delivered and expected to be delivered over the forecast period.
- Allocation of \$0.748 million of EBIT savings identified per annum from 2010 as part of the "One Nylex" restructure.
- A reduction in working capital of \$1.175 million in 2009.
- A post tax discount rate of 13% (2007: 12.2%) was applied in determining the recoverable amount of the unit, based on the company's assessment of its weighted average cost of capital (assuming a range of debt leveraging of 38% at a market interest rate of 11%).
- Cash flows beyond the period covered by the financial budgets assumed a 3.0% rate of growth.

The values assigned to the key assumptions represents management's assessment of future trends in the water tank industry and are based on both external and internal sources (historical data).

The above estimates are particularly sensitive in the following areas and would result in the following changes to the carrying value of the cash generating unit :

- A decrease of 10% of future planned revenues in 2011 and beyond would reduce the carrying value by \$5,800,000.
- An increase of 1% in the discount rate would reduce the carrying value by \$1,446,000.

17. Other intangible assets

<i>In thousands of AUD</i>	Intellectual property	Capitalised development	Brand names ^(a)	Software	Total
Gross carrying amount					
Balance at 1 July 2006	4,600	813	17,983	1,745	25,141
Additions	-	-	-	846	846
Disposals	-	(713)	-	(179)	(892)
Balance at 30 June 2007	4,600	100	17,983	2,412	25,095
Additions	-	262	-	4	266
Disposals	-	-	(15)	-	(15)
Impairment of intangible asset	-	-	(1,500)	-	(1,500)
Net foreign currency exchange differences	-	-	-	(41)	(41)
Balance at 30 June 2008	4,600	362	16,468	2,375	23,805
Accumulated amortisation and impairment					
Balance at 1 July 2006	(1,162)	(221)	(866)	(1,459)	(3,708)
Amortisation expense	(432)	(304)	(150)	(497)	(1,383)
Disposals	-	460	-	179	639
Balance at 30 June 2007	(1,594)	(65)	(1,016)	(1,777)	(4,452)
Amortisation expense	(432)	(278)	(179)	(438)	(1,327)
Net foreign currency exchange differences	-	(19)	-	41	22
Provision for impairment	-	-	(3,500)	-	(3,500)
Balance at 30 June 2008	(2,026)	(362)	(4,695)	(2,174)	(9,257)
Net book value					
As at 30 June 2008	2,574	-	11,773	201	14,548
As at 30 June 2007	3,006	35	16,967	635	20,643

17. Other intangible assets (continued)

In thousands of AUD

	Company	
	Software	Total
Gross carrying amount		
Balance at 1 July 2006	580	580
Additions	23	23
Balance at 30 June 2007	603	603
Balance at 30 June 2008	603	603
Accumulated amortisation and impairment		
Balance at 1 July 2006	(503)	(503)
Amortisation expense	(81)	81
Balance at 30 June 2007	(584)	584
Amortisation expense	(19)	(19)
Balance at 30 June 2008	(603)	(603)
Net book value		
As at 30 June 2007	19	19
As at 30 June 2008	-	-

(a) Impairment testing for cash-generating units containing intangible assets

For the purpose of the impairment testing, brand names are allocated to the Group's operating divisions which represent the lowest level within the Group at which the intangible assets are monitored for internal reporting purposes. Certain of the brand names are considered to have an indefinite useful life and are not amortised as a consequence of strong brand marketing.

The aggregate carrying values of the brand names allocated to each cash generating unit are as follows:

In thousands of AUD

	Consolidated		Company	
	2008	2007	2008	2007
<i>Indefinite life assets:</i>				
Consumer Australia	7,474	10,974	-	-
<i>Definite life assets:</i>				
Melded	3,864	5,364	-	-
Other	435	629	-	-
	11,773	16,967	-	-

The carrying amount of the Melded brand name, within the Nylex Lifestyle segment, was determined to be higher than its recoverable amount and an impairment loss of \$1,500,000 was recognised (2007: nil). This was caused by continuing suppressed demand within the melded fabrics market. The carrying amount of the Ajax brand name, within the Nylex Lifestyle segment, was determined to be higher than its recoverable amount. This was caused by continued competitive trading conditions within the retail building market. A \$3,500,000 provision for impairment loss was recognised (2007: nil). The recoverable amount of the Nylex brand name was determined to be equal to its carrying value. The impairment losses were allocated fully to brand names, and are included in other expenses in the income statement.

The recoverable amount of the Melded brand name was determined on a value in use basis, and the recoverable amount of the Nylex and Ajax brand names were based on fair value less costs to sell.

Melded

Value in use was determined by discounting the future cash flows generated from the continuing uses of the unit and was based on the following key assumptions:-

- Cash flows were projected based on actual operating results and financial budgets approved by management, covering a three year fixed period.
- Revenue is forecast to increase 6% per annum on a compound basis over the period of the forecast budgets from 2008 to 2010, with EBIT forecast to remain relatively constant over the same period between \$300,000 and \$400,000 per annum.
- A post tax discount rate of 13% (2007: 12.2%) was applied in determining the recoverable amount of the unit, based on the company's assessment of its weighted average cost of capital (assuming a range of debt leveraging of 38% at a market interest rate of 11%).
- Cash flows beyond the period covered by the financial budgets assumed a 3.0% rate of growth.

17. Other intangible assets (continued)

(a) Impairment testing for cash-generating units containing intangible assets (continued)

The values assigned to the key assumptions represents management's assessment of future trends of this business and are based on both external and internal sources (historical data).

The above estimates are particularly sensitive in the following areas:

- A decrease of 10% of future planned revenues in 2011 and beyond would reduce the present value by \$72,000.
- An increase of 1% in the discount rate would result in an impairment of \$450,000.

Consumer - Australia

The recoverable amount of the Ajax and Nylex brand names were determined based on a fair value less costs to sell. The Directors obtained an independent valuation of the brand names which applied the relief from royalty methodology and included the following key assumptions:

- Revenue was projected to grow between 3% and 5% per annum over the period from 2009 to 2013.
- A royalty rate of either 0.5% or 1%, depending on the product, for the Nylex brand name, and a royalty rate of 2.5% for the Ajax brand name.
- A post tax discount rate of 13.5% (2007: 12.2%) was applied in determining the recoverable amount, based on the company's assessment of a risk adjusted weighted average cost of capital.
- Revenue beyond the period covered by the financial budgets assumed a 3.0% rate of growth.

The values assigned to the key assumptions represents management's assessment of future trends in the water tank, building and industrial products industries and are based on both external and internal sources (historical data).

The above estimates are particularly sensitive in the following areas:

- A decrease in the royalty rate (from 0.5% to 0.25% and from 1% to 0.5%) for the Nylex brand name, would result in an impairment of \$1,877,000
- A decrease in the royalty rate from 2.5% to 2% for the Ajax brand name, would result in an impairment of \$661,000
- An increase in the discount rate from 13.5% to 14.5% would result in an increased impairment to brand names of \$587,000

In thousands of AUD

18. Current trade and other payables

Trade payables (i)
Other payables
Goods and services tax (GST) payable
Withholding tax
Amounts payable to wholly owned controlled entities

	Consolidated		Company	
	2008	2007	2008	2007
		Restated		
Trade payables (i)	23,317	31,610	345	870
Other payables	5,738	7,706	957	1,545
Goods and services tax (GST) payable	1,112	1,936	-	-
Withholding tax	1,134	1,005	-	-
Amounts payable to wholly owned controlled entities	-	-	5	10
	31,301	42,257	1,307	2,425

(i) No interest is charged on trade payables.

In thousands of AUD

	Consolidated		Company	
	2008	2007	2008	2007
19. Current borrowings				
Unsecured				
At amortised cost:				
Convertible notes (b)	9,619	15,996	9,619	15,996
Loans from subsidiaries	-	-	625,595	534,059
	9,619	15,996	635,214	550,055
Secured				
At amortised cost:				
Bank loans (a)	45,800	3,500	45,800	3,500
Capitalised bank debt costs	(190)	(647)	(190)	(647)
	45,610	2,853	45,610	2,853
	55,229	18,849	680,824	552,908

(a) Banking Facilities

At 30 June 2008 the Group had finance facilities, split evenly with ANZ and Westpac, which had an aggregate limit of \$80.0 million. As these facilities are due to mature on 30 November 2008 they are considered for reporting purposes as current debt.

On 30 September 2008 the Group received an offer to refinance its facilities for a twelve month period effective 1 November 2008 and expiring 31 October 2009. For further details in relation to the new facility refer to note 43(e). See also note 2(e) with respect to going concern.

Borrowings are initially recognised at fair value, net of transaction costs incurred.

(b) Convertible Notes

The parent entity (Nylex Limited) in a Convertible Notes Rights Issue, issued 10,870,991 (post share consolidation) 10% unsecured convertible notes for \$20,002,624 on 8 December 2006. The notes are convertible into ordinary shares of the parent entity, at the option of the holder up until their repayment date of 8 December 2009. For each convertible note allotted, a New Option was allotted, at no additional cost. The exercise price of a New Option is \$1.84 per share (post share consolidation) and they also expire on 8 December 2009.

For balance sheet presentation purposes, the face value of the Convertible Notes is split into a liability component and an equity component. The liability component is calculated as the present value of the Notes discounted using a market interest rate for an equivalent note that does not have an equity conversion option. After recognising the initial liability component in this manner, the remainder of the proceeds are allocated to equity, net of any income tax effects. The amount allocated to equity represents the conversion component of the notes.

The equity component is not re-measured subsequent to initial recognition. However the liability component is re-measured each reporting date in the period to maturity or full conversion. The increment in the liability component at each reporting date is expensed to the profit and loss as an interest cost.

Refer also note 43(e).

19. Current borrowings (continued)

The movement in the convertible notes during the period is shown below:

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Convertible notes:				
Balance at 1 July	15,996	-	15,996	
Face value of convertible notes issued	-	20,003	-	20,003
Other equity securities value of conversion rights	-	(3,572)	-	(3,572)
	15,996	16,431	15,996	16,431
Transaction costs				
- cash settled	-	(502)	-	(502)
- equity settled (Facilitation options-underwriting costs)	-	(1,154)	-	(1,154)
Amortisation of transaction costs				
- cash settled	262	98	262	98
- equity settled	384	223	384	223
Face value restatement at 30 June	37	1,000	37	1,000
Notes converted into ordinary shares during the period	(7,060)	(100)	(7,060)	(100)
	9,619	15,996	9,619	15,996

20. Current provisions

		Restated		Restated
Employee benefits	7,135	6,783	184	115
Claims (note 23)	913	2,399	500	540
Onerous lease contracts (note 23 and 33(b))	312	3,112	312	2,113
Restructuring and termination costs (note 23)	2,205	-	2,205	-
Environmental rehabilitation (note 23)	975	2,888	975	1,300
	11,540	15,182	4,176	4,068

21. Non-current borrowings

Secured

At amortised cost:

Bank loans (note 43(e))

	-	37,800	-	37,800
	-	37,800	-	37,800

22. Non-current provisions

Employee benefits	2,736	3,082	22	-
Onerous lease contracts (note 23)	164	580	164	580
Claims	-	127	-	-
	2,900	3,789	186	580

23. Provisions

In thousands of AUD

(Current - note 20 and non-current – note 22)

Balance at 30 June 2007

	Consolidated			
	Claims (i)	Onerous lease contracts (ii)	Restructuring and termination costs (iii)	Environmental (iv)
Balance at 30 June 2007	2,526	3,692	-	2,888
Additional provisions recognised	300	-	2,205	995
Reductions arising from payments/other sacrifices of future economic benefits	(350)	(2,118)	-	(2,908)
Reductions resulting from re-measurement or settlement without cost	(1,563)	(1,098)	-	-
Balance at 30 June 2008	913	476	2,205	975

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23. Provisions (continued)

In thousands of AUD

(Current - note 20 and non-current – note 22)
Balance at 30 June 2007 (Current - note 20)

	Company			
	Claims (i)	Onerous lease contracts (ii)	Restructuring and termination costs (iii)	Environmental (iv)
Balance at 30 June 2007 (Current - note 20)	540	2,693	-	1,300
Additional provisions recognised	300	-	2,205	996
Reductions arising from payments/other sacrifices of future economic benefits	(340)	(1,118)	-	(1,321)
Reductions resulting from re-measurement or settlement without cost		(1,098)	-	-
Balance at 30 June 2008	500	476	2,205	975

- (i) The provision for claims represents the present value of the directors' best estimate of the future sacrifice of economic benefits that will be required to settle various third party claims, including legal claims based on historical evidence and provided for at the time of the claim.
- (ii) The provision for onerous lease contracts represents the present value of the future lease payments that the consolidated entity is presently obligated to make in respect of onerous lease contracts under non-cancellable operating lease agreements, less revenue expected to be earned on the lease including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired term of the leases range from one month to 10 years.
- (iii) The provision for restructuring and termination costs represents the present value of the directors' best estimate of the costs directly and necessarily caused by the 'One Nylex' restructuring programme that are not associated with the ongoing activities of the entity, including termination benefits. The restructuring is expected to be completed by June 2009.
- (iv) The provision for environmental costs represents the present value of the directors' best estimate of the future sacrifice of economic benefits that will be required to make good two former manufacturing sites. The estimate has been made on the basis of quotes obtained from consulting engineers. The rehabilitation on one of the sites was concluded in July 2008 and the other is estimated to conclude during the 2009 calendar year.

24. Defined benefit superannuation plans

The Group operates defined benefit superannuation plans for certain employees of the Group. Under the plans, the employees are entitled to retirement benefits based on their average earnings over the three years prior to retirement, or a lesser period if the membership is less than three years.

At 30 June 2008, being the most recent financial reporting date, the plans' had a net surplus of \$118,273 (2007: net surplus of \$445,565). During the 2007 financial year Nylex Limited changed the method it used to determine the actuarial gains and losses from the "corridor method" to recognising the full amount of actuarial gains and losses through the Income Statement, the "profit and loss method". This resulted in the recognition of an actuarial gain of \$1,048,971 in the profit and loss for the financial year ending 30 June 2007, which included \$814,351 of actuarial gains for the period from 1 July 2006 to 30 June 2007 and accumulated unrecognised gains of \$234,620 at 30 June 2006.

The consolidated entity has a legal liability to make up any deficit in the plans but no legal right to use any surplus in the plans to further its own interests.

Key assumptions used (expressed as weighted averages):

	2008	2007
Discount rate(s)	7.5%	6.6%
Expected return on plan assets	5.9%	6.0%
Expected rate(s) of salary increase	4.0%	2.0%

In thousands of AUD

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	Consolidated		Company	
	2008	2007	2008	2007
Current service cost	(210)	(380)	(210)	(380)
Interest cost	(283)	(400)	(283)	(400)
Expected return on plan assets	348	492	348	492
Recognised net actuarial gain	(485)	1,048	(485)	1,048
Net income/(expense) recognised in the Income Statements	(630)	760	(630)	760

24. Defined benefit superannuation plans (continued)

In thousands of AUD

The amount included in the balance sheet arising from the entity's obligations in respect of its defined benefit plans is as follows:

Present value of funded defined benefit obligations
Fair value of plan assets

Surplus

Net actuarial (gains) and losses not recognised

Net surplus arising from defined benefit obligations

Included in the balance sheet:

Other non-current financial asset – (note 14)

Net surplus arising from defined benefit obligations

Movements in the present value of the defined benefit obligations

Opening defined benefit obligation

Benefits paid by the plan

Employee contributions

Current service costs and interest

Fees and taxes

Actuarial gain

Closing defined benefit obligations

Movements in the fair value of the plan assets:

Opening plan assets

Contributions from the employer

Contributions from plan participants

Earnings on investments

Fees and tax

Benefits paid

Closing plan assets

The actual return on plan assets was a loss of \$179,677 (2007: \$842,782).

The consolidated entity expects to make a contribution of \$nil (2007: \$nil) to the defined benefit plans during the next financial year.

The analysis of the plan assets and the expected rate of return at the balance sheet date is as follows:

Australian Shares

International Shares

Fixed Interest

Property/Alternative Investments

Cash

Weighted average expected return

	Consolidated		Company	
	2008	2007	2008	2007
Present value of funded defined benefit obligations	(4,219)	(5,743)	(4,219)	(5,743)
Fair value of plan assets	4,338	6,189	4,338	6,189
Surplus	119	446	119	446
Net actuarial (gains) and losses not recognised	-	-	-	-
Net surplus arising from defined benefit obligations	119	446	119	446
Included in the balance sheet:				
Other non-current financial asset – (note 14)	119	446	119	446
Net surplus arising from defined benefit obligations	119	446	119	446
Movements in the present value of the defined benefit obligations				
Opening defined benefit obligation	5,743	8,819	5,744	8,819
Benefits paid by the plan	(1,916)	(3,093)	(1,916)	(3,093)
Employee contributions	63	144	63	144
Current service costs and interest	493	780	493	780
Fees and taxes	(122)	(443)	(122)	(443)
Actuarial gain	(42)	(464)	(43)	(464)
Closing defined benefit obligations	4,219	5,743	4,219	5,743
Movements in the fair value of the plan assets:				
Opening plan assets	6,189	7,789	6,189	7,789
Contributions from the employer	303	951	303	951
Contributions from plan participants	63	144	63	144
Earnings on investments	(179)	841	(179)	841
Fees and tax	(122)	(443)	(122)	(443)
Benefits paid	(1,916)	(3,093)	(1,916)	(3,093)
Closing plan assets	4,338	6,189	4,338	6,189

	Expected return		Fair value of plan assets	
	2008	2007	2008	2007
	%	%	%	%
Australian Shares	8.5	8.5	15	14
International Shares	8.5	8.5	12	16
Fixed Interest	5.0	5.0	35	13
Property/Alternative Investments	7.5	7.5	6	6
Cash	4.5	4.5	32	51
Weighted average expected return	6.0	6.0	100	100

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The expected rate of return on each asset class was determined by multiplying the expected return for each class by the percentage of assets in that class.

In thousands of AUD

25. Issued capital

43,064,845 fully paid ordinary shares
(2007: 37,038,386 post share consolidation)

Consolidated		Company	
2008	2007	2008	2007
682,188	673,574	682,188	673,574
682,188	673,574	682,188	673,574

Year ended 30 June 2008

In the year to 30 June 2008 a total of 10,300 options were exercised at \$1.84 per share and a total of 4,671,255 convertible notes were converted into 6,016,159 ordinary shares.

Year ended 30 June 2007

During the year, the consolidated entity completed a \$20.036 million Share Rights Issue, issuing 11,648,983 shares at \$1.72 share (post consolidation). For each share allotted a new option was allotted exercisable at \$1.84 (post consolidation), expiring on 8 December 2009.

As part of the Share Rights Issue, the company undertook a share consolidation on the basis of one share for every 40 shares held prior to consolidation. The consolidation did not involve payment of or distribution of any amounts to shareholders and did not alter the company's paid up capital.

	<i>In number of shares</i>		<i>In thousands of AUD</i>	
	2008	2007	2008	2007
Fully paid ordinary shares (post share consolidation)				
Balance at beginning of financial year	37,038,386	25,278,323	673,574	655,134
Renounceable Rights Issue	-	11,648,983	-	20,036
Associated share issue costs	-	-	-	(1,287)
Issue of facilitation options – underwriting cost - GPE	-	-	-	(475)
Rounding on share consolidation of 40:1	-	474	-	-
Exercise of options	10,300	23,865	19	44
Conversion of convertible notes	6,016,159	86,741	8,595	122
Balance at end of financial year	43,064,845	37,038,386	682,188	673,574

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share options granted under the executive share option plan

The company has established an executive share option plan in respect of its ordinary shares which operates in accordance with the Listing Rules and, assuming all options granted pursuant to the plan to the date of the report were exercised, the plan would not lead to a capital raising of more than 5% of the issued capital of the company.

During the current financial year 1,050,000 options were granted under the Executive Share Option Plan to Directors and other key management personnel of the Company or Group. No other options have been granted since the end of the financial year (2007: Nil). See note 30. There were 540,000 unissued shares under option at the date of this report (2007: Nil).

No person entitled to exercise any of the above options had or has any right, by virtue of the option, to participate in any share issue of any other body corporate.

25. Issued capital (continued)

Other share options on issue

As at 30 June 2008, the company has 27,917,036 share options on issue (2007:27,927,336), exercisable on a basis of one option for one ordinary share of the company at an exercise price of \$1.84. The options expire on 8 December 2009. The options carry no rights to dividends and no voting rights. This includes Facilitation Options issued to Harmony Investment Fund Ltd (Harmony) and Garden Park Equities Pty Ltd (GPE) as consideration for sub-underwriting the capital raising in December 2006.

Harmony was issued 4,181,147 Facilitation Options (post share consolidation) as consideration for fully sub-underwriting the Convertible Notes Rights Issue and for their direct subscription. GPE and other sub-underwriters were issued 1,250,000 Facilitation Options (post share consolidation) as consideration for sub-underwriting the Share Rights Issue.

The terms and conditions of the Facilitation Options are the same as the new options issued under the Rights Issue.

In thousands of AUD

	Consolidated		Company	
	2008	2007	2008	2007
26. Reserves				
Foreign currency translation reserve (a)				
Balance at beginning of financial year	1,216	(351)	-	-
Exchange differences taken directly to equity	(1,401)	1,567	-	-
Balance at end of financial year	(185)	1,216	-	-
Convertible notes issue reserve (b)				
Balance at beginning of financial year	2,118	-	2,118	-
Issue of convertible notes – equity component	-	3,572	-	3,572
Related deferred tax liability	-	(1,071)	-	(1,071)
Issue costs – cash settled	-	(110)	-	(110)
– equity settled	-	(251)	-	(251)
Convertible note conversion	(1,534)	(22)	(1,534)	(22)
Balance at end of financial year	584	2,118	584	2,118
Facilitation options reserve (c)				
Balance at beginning of financial year	1,879	-	1,879	-
Issue of facilitation options – Harmony	-	1,404	-	1,404
– GPE	-	475	-	475
Balance at end of financial year	1,879	1,879	1,879	1,879
Total reserves	2,278	5,213	2,463	3,997

(a) Foreign currency translation reserve

Exchange differences arising on the translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 3. The reserve is recognised in profit and loss when the investment is disposed of.

(b) Convertible notes

During the year ended 30 June 2007, 10,870,991 (post share consolidation) 10% convertible notes were issued by the Company. The notes are convertible into ordinary shares of the Nylex Limited, at the option of the holder up until their repayment date of 8 December 2009. The face value of the convertible notes has been split into a liability component and an equity component. See also note 19.

(c) Facilitation options reserve

The equity component of the facilitation options issued at the time of the capital raising in December 2006 is credited to the facilitation options reserve.

27. Accumulated losses

		Restated		Restated
Balance at beginning of financial year	(574,850)	(585,678)	(548,478)	(586,671)
Net (loss)/profit attributable to members of the parent entity	(21,296)	10,914	(47,853)	38,193
Equity settled transactions, net of tax	3	-	3	-
Other	-	(86)	-	-
Balance at end of financial year	(596,143)	(574,850)	(596,328)	(548,478)

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28. Earnings per share

In cents per share

	Consolidated	
	2008	2007
Basic earnings per share (post share consolidation):		
Total basic earnings per share	(51.2)	34.3
Diluted earnings per share (post share consolidation):		
Total diluted earnings per share *	(51.2)	25.6

* Diluted earnings per share is the same as basic earning per share in 2008 as the diluted balance can not show an improved result.

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

In thousands of AUD

Net (loss)/profit after tax

	2008	2007
		Restated
	(21,296)	10,914

In number of shares

Weighted average number of ordinary shares for the purposes of basic earnings per share

	2008	2007
	41,612,574	31,796,084

(a) Restated earnings used in the calculation of total basic earnings per share and basic earnings per share reconciles to net profit in the Income Statement as follows:

In thousands of AUD

Net (loss)/profit

Earnings used in the calculation of basic EPS

	2008	2007
		Restated
	(21,296)	10,914
	(21,296)	10,914

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

Earnings (a)

Adjusted earnings (b)

In number of shares

Weighted average number of ordinary shares for purposes of diluted earnings per share (c), (d)

	(21,296)	10,914
	(19,889)	12,464
	2008	2007
	67,137,020	46,658,894

(b) Earnings used in the calculation of total diluted earnings per share and diluted earnings per share reconciles to net profit in the Income Statement as follows:

In thousands of AUD

Net (loss)/profit

Add back interest on convertible notes (net of tax)

Earnings used in the calculation of diluted EPS

	Consolidated	
	2008	2007
		Restated
	(21,296)	10,914
	1,407	1,550
	(19,889)	12,464

28. Earnings per share (continued)

(c) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

<i>In number of shares</i>	Consolidated	
	2008	2007
Weighted average number of ordinary shares used in the calculation of basic EPS	41,612,574	31,796,084
Weighted average number of shares on conversion of convertible notes	25,524,446	16,862,810
Weighted average number of ordinary shares used in the calculation of diluted EPS	67,137,020	48,658,894

(d) The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

<i>In number of shares</i>	2008	2007
Share Options	27,921,592	15,611,410

(e) Weighted average number of potential ordinary shares resulting from the conversion of convertible notes included in the calculation of diluted earnings per share:

<i>In number of shares</i>	2008	2007
Convertible notes	25,524,446	16,862,810

29. Dividends

No interim or final dividend was paid in the prior year or is proposed for this year.

<i>In thousands of AUD</i>	Company	
	2008	2007
Adjusted franking account balance	4,673	4,673

The ability to utilise the franking credits is dependent upon there being sufficiently available profits to declare dividends. The Group did not declare an interim or final dividend in the prior year and no dividend is proposed for this year.

30. Share-based payments

Nylex Limited has an Executive Share Option Plan that entitles key management personnel to purchase shares in the Company. The terms and conditions of the Executive Share Option Plan are set out below. Certain key management personnel were granted options under this plan in September 2007 and November 2007.

The terms and conditions of the grants made during the year ended 30 June 2008 are as follows:

Grant date	Number of instruments	Vesting conditions	Contractual life of options
Options granted at 28 September 2007 (A)	700,000	Performance hurdles over 3 years	27 September 2012 (five years)
Options granted at 14 November 2007 (B)	350,000	Performance hurdles over 3 years	13 November 2012 (five years)

The fair value of share options granted has been valued using a binomial model with the following assumptions for the year ended 30 June 2008:

	A	B
Fair value at grant date	\$0.861	\$0.858
Share price	\$1.85	\$1.85
Exercise price	\$1.84	\$1.84
Expected volatility	50%	50%
Option life	4 years	4 years
Expected dividends	Nil	Nil
Risk free interest rate (based on government bonds)	6.33%	6.49%

30. Share-based payments (continued)

In addition at the time of grant and each reporting date an assessment is made of the probability of achieving the non-market related performance hurdles attached to each tranche of grant options ranging from nil% to 5%. A total expense of \$2,634 net of tax (2007:\$nil) was recorded in the Income Statement for the year ended 30 June 2008.

The aggregate number of share options, granted as remuneration, and held by the key management personnel of Nylex Limited in any entity within the consolidated entity as at 30 June 2008 are set out below:

	2008	2007
Nylex Limited	710,000	-

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
31. Commitments for expenditure				
(a) Capital expenditure commitments				
<u>Plant and equipment</u>				
Not longer than 1 year	-	442	-	-
Longer than 1 year and not longer than 5 years	-	-	-	-
	-	442	-	-

(b) Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 33 to the financial statements.

32. Contingent liabilities and contingent assets

(a) Liabilities

Nylex Limited is a party to a Deed of Cross Guarantee the details of which are disclosed in note 34.

The purchaser of a business from the Group has issued legal proceedings against the Group claiming damages alleged to arise from the sale transaction and other monies alleged to be payable by way of adjustments following completion of the sale. The Group is defending these proceedings.

The Group entered into an arrangement for the distribution of certain products. The supplier alleges the Group repudiated those arrangements and has issued legal proceedings claiming compensation for the loss and damage allegedly suffered. The Group is defending these proceedings and has counterclaimed for its own loss and damage.

There is significant uncertainty as to whether a future liability will arise in respect of these matters. The amount of the liability, if any, which may arise can not be measured reliably at this time.

In the directors' opinion, disclosure of any further information about the above matters would be prejudicial to the interests of the Group.

(b) Contingent Assets

There were no contingent assets at 30 June 2008 or for the financial year ended 30 June 2007.

33. Leases

(a) Finance Leases

The company had no finance leases in the 2008 and the 2007 financial years.

33. Leases (continued)

(b) Operating leases

Leasing arrangements

Operating leases relate to equipment, property and vehicles.

In thousands of AUD

	Consolidated		Company	
	2008	2007	2008	2007
<u>Non-cancellable operating lease payments</u>				
Not longer than 1 year	9,523	11,647	829	2,799
Longer than 1 year and not longer than 5 years	22,241	22,454	1,294	2,138
Longer than 5 years	5,589	12,927	-	-
	37,353	47,028	2,123	4,937
In respect of non-cancellable operating leases the following liabilities have been recognised:				
Current:				
Onerous lease contracts (note 20)	312	3,112	312	2,113
Non-current:				
Onerous lease contracts (note 22)	164	580	164	580
	476	3,692	476	2,693

General terms and conditions of operating leases:

Operating leases have no contingent rental payments or purchase options. Escalation clauses are generally pegged to movements in the consumer price index or fixed annual increases of 3% to 4%. Only property leases have renewal options varying from one to ten years depending on the use permitted by the relevant lease. Operating lease agreements do not impose any restrictions on dividends, additional debt or further leasing. Leases run from one to ten years.

34. Subsidiaries

Name of entity	Country of incorporation	Ownership interest (all being 100% except where stated)	
		2008	2007
		%	%
Parent entity			
Nylex Limited			
Subsidiaries			
(All being Pty. Ltd. except where stated)			
Austrim Properties	Australia		
Austrim Textiles (a)	Australia		
CDA Industries (a)	Australia		
Hawker Richardson Limited	Australia	88	88
Interlink Communications Australia (In Voluntary Liquidation) (d),(e)	Australia	88	88
Jetpur (a)	Australia		
AHP Motor Traders (In Voluntary Liquidation) (d)	Australia		
National Consolidated (a)	Australia		
Nylex Industrial Products (a),(b)	Australia		
Australian Inhibitor Paper (In Voluntary Liquidation) (d),(e)	Australia		
Doric Agencies (In Voluntary Liquidation) (d),(e)	Australia		
Ajax Cooke (a),(b)	Australia		
Spurway Cooke Holdings Ltd. (a),(b)	Australia		
Spurway Cooke Industries (In Voluntary Liquidation) (d),(e)	Australia		
Ajax Building and Industrial Fasteners Distribution (In Voluntary Liquidation) (d),(e)	Australia		
Sidney Cooke Fasteners (In Voluntary Liquidation) (d),(e)	Australia		
ACN 010 139 223 (b)	Australia		
Nylex Engineering Systems Ltd (formerly Reid Engineering Systems Ltd) (c)	New Zealand		
Eilloc (b)	Australia		
Nylex (New Zealand) Ltd (c)	New Zealand		

34. Subsidiaries (continued)

Name of entity	Country of incorporation	Ownership interest (all being 100% except where stated)	
		2008 %	2007 %
Ivingham Cross	Australia		
Kentfair (In Voluntary Liquidation)	(d),(e) Australia		
Ajax McPherson's (Australia) (In Voluntary Liquidation)	(d),(e) Australia		
ACN 006 630 137	(b) Australia		
ACN 006 259 785 (In Voluntary Liquidation)	(d) Australia		
Ajax Technology Centre (In Voluntary Liquidation)	(d),(e) Australia		
Hanstock Fasteners (In Voluntary Liquidation)	(d) Australia		
Ekul Investments Ltd	(a),(b) Australia		
Fawldapp (In Voluntary Liquidation)	(d),(e) Australia		
Baslow (In Voluntary Liquidation)	(d),(e) Australia		
Celrets (In Voluntary Liquidation)	(d),(e) Australia		
Natcon (Overseas) Sdn Bhd	Brunei		
Levema (In Voluntary Liquidation)	(d),(e) Australia		
Natcorp Investments Limited	(a),(b) Australia		
Henderson's Ltd	(a),(b) Australia		
Ormsray Corporation (In Voluntary Liquidation)	(d),(e) Australia		
Formerly Automotive USA Inc (formerly Henderson's Automotive Inc.)	USA		
ACN 009 667 092 Ltd (In Voluntary Liquidation)	(d),(e) Australia		
ACN 009 656 428	(b) Australia		
Pitmain	Australia		
Nylex Automotive Investments (formerly AHP Research)	Australia		
Champion Hyquip Sales and Service (In Voluntary Liquidation)	(d) Australia		
Champion Environmental Technologies	Australia	80	80
Nylex Corporation	(a) Australia		
Nylex Water Solutions	(a) Australia		
Nylex Properties	Australia		
Mitemon	Australia		

- (a) As a condition of Class Order 98/148 these companies entered into a Deed of Cross Guarantee with Nylex Limited. The nature of the Deed of Cross Guarantee is such that each company which is party to the Deed guarantees to each creditor of these companies payment in full of any debt admissible in proof upon a winding up in accordance with the Deed of Cross Guarantee. Pursuant to Class Order 98/1418, relief has been granted to those wholly owned controlled entities of Nylex Limited which are eligible for the benefit of relief from the Corporations Act 2001 requirements for preparation, audit and publication of financial reports.
- (b) As a condition of Class Order 98/148, Hawker Richardson Limited and its subsidiary and National Consolidated Pty. Ltd. and those subsidiaries identified respectively, entered into Deeds of Cross Guarantee. The nature of the Deed of Cross Guarantee is such that each company which is a party to the Deed guarantees to each creditor of those companies payment in full of any debt admissible in proof upon a winding up in accordance with the Deed of Cross Guarantee. Pursuant to Class Order 98/1418, relief has been granted to these controlled entities of Hawker Richardson Limited and National Consolidated Pty. Ltd from the Corporations Act 2001 requirements for preparation, audit and publication of financial reports.
- (c) Audited or reviewed by overseas member firms of KPMG.
- (d) These companies have been wound up and deregistered.
- (e) On 29 February 2008 these companies were removed by Revocation Deeds from the Deeds of Cross Guarantee entered into by Hawker Richardson Limited and its subsidiary and National Consolidated Pty Ltd and those subsidiaries identified, respectively.

The consolidated income statement and balance sheet of entities which are party to the Deed of Cross Guarantee are:

In thousands of AUD

Closed Group Summarised Income Statement

	2008	2007
		Restated
Revenue	257,331	190,417
Expenses	(284,265)	(181,362)
Finance costs	4,503	(8,724)
(Loss)/profit before income tax expense	(22,431)	331
Income tax (expense)/benefit	(1,979)	12,976
(Loss)/profit for the period	(24,410)	13,307

34. Subsidiaries (continued)

In thousands of AUD

Closed Group Summarised Consolidated Balance Sheet

	2008	2007
		Restated
Current assets		
Cash and cash equivalents	4,697	1,707
Trade and other receivables	46,242	36,020
Inventories	41,627	34,689
Other financial asset	538	446
Other	1,395	1,038
Total current assets	94,499	73,900
Non-current assets		
Trade and other receivables	11,595	64,526
Investments accounted for using the equity method	1,430	-
Other financial assets and other assets	119	-
Property, plant and equipment	48,724	30,352
Deferred tax asset	10,366	11,902
Intangible assets	20,809	20,226
Other	-	285
Total non-current assets	93,043	127,291
Total assets	187,542	201,191
Current liabilities		
Trade and other payables	29,704	26,827
Borrowings	55,229	18,849
Provisions	11,394	11,031
Total current liabilities	96,327	56,707
Non-current liabilities		
Borrowings	-	37,800
Provisions	2,892	1,245
Total non-current liabilities	2,892	39,045
Total liabilities	99,219	95,752
Net assets	88,323	107,274
Equity		
Issued capital	682,188	673,574
Reserves	2,463	3,997
Accumulated losses *	(596,328)	(570,297)
Total equity	88,323	107,274
* Accumulated losses		
Accumulated losses as at beginning of the financial year	(571,918)	(585,225)
Net (loss)/profit as reported	(24,410)	14,928
Net restatement	-	(1,621)
Restated net (loss)/profit	(24,410)	13,307
Accumulated losses as at end of the financial year	(596,328)	(571,918)

35. Acquisition of businesses

There were no acquisition of businesses during the current financial year or in the 2007 financial year.

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36. Segment information
Business Segments - 2008

<i>In thousands of AUD</i>					
	Nylex Lifestyle	Nylex Solutions	Nylex Automotive	Unallocated	Consolidated
Revenue					
Total sales revenue	123,451	70,707	97,927	-	292,085
Inter segment sales/eliminations	(7,321)	(9,372)	(629)	-	(17,322)
Total revenue	116,130	61,335	97,298	-	274,763
Result					
(Loss)/profit before finance costs and income tax	(9,480)	(4,672)	1,763	-	(12,389)
Share of result of equity accounted investment	-	-	487	-	487
(Loss)/profit before finance costs and income tax	(9,480)	(4,672)	2,250	-	(11,902)
Net financing costs					(7,592)
Loss before taxation					(19,494)
Income tax expense					(1,802)
Loss for the period					(21,296)
Assets					
Segment assets	72,520	37,508	57,134	22,444	189,606
Investment in equity accounted investments			1,430		1,430
Eliminations			-		(1,743)
Consolidated assets			58,564		189,293
Liabilities					
Segment liabilities	13,795	9,300	17,332	62,286	102,713
Eliminations					(1,743)
Consolidated Liabilities					100,970
Other segment information					
Capital expenditure	462	1,288	1,522	43	3,315
Depreciation and amortisation of segment assets	2,682	3,308	2,255	270	8,515
Impairment losses on property, plant & equipment	585	-	-	-	585
Impairment losses on intangible assets	5,000	2,350	-	-	7,350

Products and services:

Nylex Lifestyle: trading branded products including Nylex, Esky, Gardena, Ajax Fasteners, Senco, Melded, Colorino and Fronrunner.
Nylex Solutions: supplying plastic based solutions including water tanks, garbage bins, communication pits and plastic containment solutions.

Nylex Automotive: supplying plastic based products and interior carpets to car manufacturers and their suppliers.

Geographic Segments

<i>In thousands of AUD</i>	2008			2007		
	Australia	New Zealand	Consolidated	Australia	New Zealand	Consolidated
Segment revenue from external customers	257,330	17,433	274,763	283,715	24,331	308,046
Segment assets	179,692	9,601	189,293	209,856	11,958	221,814
Capital expenditure	3,289	26	3,315	7,495	63	7,558

36. Segment information (continued)
Business Segments – 2007 (Restated)

<i>In thousands of AUD</i>					
	Nylex Lifestyle	Nylex Solutions	Nylex Automotive	Unallocated	Consolidated
Revenue					
Total sales revenue	158,711	93,684	82,790	-	335,185
Intersegment sales/eliminations	(7,934)	(18,516)	(689)	-	(27,139)
Total revenue	150,777	75,168	82,101	-	308,046
Result					
(Loss)/profit before finance costs and income tax	(1,070)	6,360	2,713	-	8,003
Share of result of equity accounted investment	-	-	248	-	248
(Loss)/profit before finance costs and income tax	(1,070)	6,360	2,961	-	8,251
Net financing costs	-	-	-	-	(8,833)
Loss before taxation	-	-	-	-	(582)
Income tax benefit	-	-	-	-	11,496
Profit for the period	-	-	-	-	10,914
Assets					
Segment assets	91,399	54,068	51,325	27,664	224,456
Investment in equity accounted investments	-	-	943	-	943
Eliminations	-	-	-	-	(3,585)
Consolidated assets	-	-	52,268	-	221,814
Liabilities					
Segment liabilities	27,204	17,876	8,239	68,143	121,462
Eliminations	-	-	-	-	(3,585)
Consolidated Liabilities	-	-	-	-	117,877
Other segment information					
Capital expenditure	596	1,272	5,527	163	7,558
Depreciation and amortisation of segment assets	2,999	3,630	1,785	341	8,755
Impairment losses on property, plant & equipment	-	-	(4,328)	-	(4,328)
Increment on the revaluation of land & buildings	-	-	5,030	-	5,030

37. Discontinued operations

There were no discontinued operations during the 2008 financial year (2007 nil).

38. Related party transactions

(a) Key management personnel compensation

The key management personnel compensation included in "Employee benefit expense" (see note 5) is as follows:

In AUD	Consolidated		Company	
	2008	2007	2008	2007
Short term employee benefits	2,193,421	2,085,248	1,537,254	1,098,796
Post-employment benefits	180,951	167,653	121,715	94,377
Other long-term benefits	22,753	5,363	18,720	5,363
Termination benefits	362,413	439,383	205,000	-
Share-based payments, net of tax	2,634	-	2,132	-
	2,762,173	2,697,647	1,884,822	1,198,536

Individual directors and executives compensation disclosures

Information regarding the individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the group since the end of the previous financial year and there were no material contracts involving director's interests existing at year-end.

Loans to key management personnel and their related parties

There were no loans to key management personnel and their related parties during the current financial year. (2007: nil).

Other key management personnel transactions

From time to time, key management personnel of the Group, its subsidiaries or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

A number of key management persons, 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 those entities.

The following transactions were entered into during the year with key management personnel of the Group and with their related entities which are within normal customer, supplier or employee relationships on terms and conditions no more favourable to those available to other customers, employees or shareholders:

- Purchase of \$14,015 of printing services provided by PMP Limited, a company associated with P George and I Fraser (2007: \$120,683). Balance outstanding at 30 June 2008 is \$nil (2007:\$nil).
- Purchase of \$327,510 of consulting services from Gadfly Consulting Pty Ltd, a company associated with J Nicholls (2007:402,568). Balance outstanding at 30 June 2008 is \$89,166 (2007:\$nil).

38. Related party transactions (continued)

(a) Key management personnel compensation (continued)

Movement in options and rights over equity instruments

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

	Balance 1 July	Granted as remuneration	Received on participation in December 2006 rights issues	Purchases/ (sales)	Other changes*	Balance 30 June	Vested during the year	Vested and exercisable at 30 June 2008
2008								
P George	-	350,000	-	-	(115,000)	235,000	-	-
BT Coverdale	-	250,000	-	-	(80,000)	170,000	-	-
KA Latchford	-	250,000	-	-	(80,000)	170,000	-	-
DG Armstrong	-	200,000	-	-	(65,000)	135,000	-	-
BF O'Donnell (iv)	5,492	-	-	-	-	(iv)	-	-
TC Francis	55,830	-	-	-	-	55,830	-	-
JR Nicholls	(a)	-	-	-	-	(a)	-	-
S Withana	(a)	-	-	-	-	(a)	-	-
PS White (v)	845	-	-	-	-	(v)	-	-
A Moore (vi)	6,759	-	-	-	-	(vi)	-	-
2007								
BF O'Donnell	-	-	5,492	-	-	5,492	-	-
TC Francis	-	-	30,830	25,000	-	55,830	-	-
IL Fraser (i)	-	-	33,750	(33,750)	-	-	-	-
JR Nicholls (i)	-	-	-	-	-	(a)	-	-
S Withana (i)	-	-	-	-	-	(a)	-	-
PS White	-	-	845	-	-	845	-	-
A Moore (ii)	-	-	6,759	-	-	6,759	-	-

* Other changes represent options that expired or were forfeited during the year.

No options held by key management personnel are vested but not exercisable at 30 June 2008 or 2007. No options were held by key management personnel related parties. Refer also note 30 for further details of options granted as remuneration held by key management personnel.

Movement in ordinary shares

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

	Balance 1 July	Purchases	Received on exercise of options	Sales	Balance 30 June	Held nominally
2008						
BF O'Donnell (iv)	13,869	-	-	-	(iv)	-
TC Francis	7,196	-	-	-	7,196	-
IL Fraser	13,000	17,000	-	-	30,000	-
J Nicholls	(a)	-	-	-	(a)	-
S Withana	(a)	-	-	-	(a)	-
PS White (v)	1,826	-	-	-	(v)	1,826
A Moore (vi)	14,608	-	-	-	(vi)	-
2007						
BF O'Donnell	8,125	5,744	-	-	13,869	-
TC Francis	4,463	2,733	-	-	7,196	-
IL Fraser (i)	-	13,000	-	-	13,000	-
PS White	1,250	576	-	-	1,826	1,826
A Moore (ii)	14,608	-	-	-	14,608	-
MC Stevens (iii)	625	-	-	-	625	-

No shares were granted to key management personnel during the reporting period as compensation in the current financial year or in 2007.

38. Related party transactions (continued)

(a) Key management personnel compensation (continued)

Movement in convertible notes

The movement during the reporting period in the number of convertible notes in Nylex Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Balance 1 July	Purchases	Sales	Net Other Change	Balance 30 June	Held nominally
2008						
BF O'Donnell	1,747	-	-	-	(iv)	-
TC Francis	1,059	-	-	-	1,059	-
JR Nicholls	(a)	-	-	-	(a)	-
S Withana	(a)	-	-	-	(a)	-
PS White (v)	269	-	-	-	(v)	269
A Moore (vi)	6,759	-	-	-	(vi)	-
2007						
BF O'Donnell	-	1,747	-	-	1,747	-
TC Francis	-	1,059	-	-	1,059	-
JR Nicholls (i)	-	-	-	-	(a)	-
S Withana (i)	-	-	-	-	(a)	-
PS White	-	269	-	-	269	269
A Moore (ii)	-	6,759	-	-	6,759	-

(i) Holding at date of appointment 18 December 2006
(iv) Holding at date of resignation 31 August 2007

(ii) Holding at date of appointment 1 June 2007
(v) Holding at date of resignation 17 July 2007

(iii) Holding at date of resignation 6 March 2007
(vi) Holding at date of resignation 31 October 2007

(a) Mr J Nicholls and Mr S Withana are both directors of Harmony Investment Fund. At reporting date Harmony Investment Fund held 5,541,346 ordinary shares (2007: nil); 8,993,406 options over ordinary shares (2007:8,907,893); and nil convertible notes (2007: 4,340,118) in Nylex Limited.

(b) Other related party transactions

Parent

The parent entity and the ultimate parent entity in the Group is Nylex Limited, a company incorporated in Australia. Parent entity's interest in controlled entities and the Group's interest in jointly controlled companies are given in note 13 and 34.

Subsidiaries

Dividends, interest and management fees received by the parent entity and the amounts receivable from and payable to wholly owned controlled entities by the parent entity are disclosed in notes 6, 12 and 18.

Management fees and interest are not levied on wholly owned non-operating controlled entities.

Other transactions that occurred during the financial year between entities in the wholly-owned group were the sale and purchase of goods at arms length prices.

Transactions with partly owned controlled entities

Interest received by the parent entity from partly owned controlled entities is disclosed in note 6. These transactions were at arms length and on commercial terms. Accounts receivable from partly-owned controlled entities are disclosed in note 12.

Transactions with other related entities

Transactions totalling \$5,471,145 conducted with the jointly controlled company, Shanghai Nylex Automotive Components Co. Ltd., were undertaken at arms length and on commercial terms. (2007:\$5,784,828).

Other Related Parties

Key management persons related parties

For detail of these transactions refer to key management personnel related disclosures.

39. Executive share option plan

(a) Executive share option plan

The company has an Executive Share Option Plan (Plan) for executives which was approved by shareholders at an Annual General Meeting in 1999.

In September 2007 the Board of Nylex Limited approved the issue of 1,050,000 options over ordinary shares to the Executive Chairman and three senior executives provided performance hurdles are met. The performance hurdle requires the Nylex group to achieve a return on net assets employed exceeding 15% in 2008, 17% in 2009 and 20% in 2010. The price and terms of the options are the same as those issued to shareholders in December 2006. Entitlement does not vest unless the hurdle is met in each year. Approval of the allocation to the Executive Chairman was granted at the 2007 Annual General Meeting.

There were 710,000 unexpired options as at 30 June 2008 (2007: Nil) (refer note 25).

Main features of the Plan are summarised below:

- The Board may grant options to take up shares to full time executive employees of the Group (as nominated by the Board in its absolute discretion) including executive directors of any company within the Group.
- Each option shall be for one share.
- The total number of options granted to an executive (which have not expired nor been exercised) shall not exceed the number of options determined in accordance with the following formula:
$$\frac{\text{executive's annual salary} \times 4}{\text{option exercise price}}$$
- The aggregate of all exercisable options under the Plan shall not exceed 5% of the total number of shares on issue.
- Options may be granted within 6 weeks of the occurrence of one of the following events:
 - (a) shareholder approval to the adoption and implementation of the Plan;
 - (b) release of interim and final results to the Australian Stock Exchange; and
 - (c) in respect of directors, after the holding of the Annual General Meeting. Options to executive directors can be granted with the approval of the shareholders as required by the Australian Stock Exchange Listing Rules.
- The exercise price of each option shall not be less than the greater of:
 - (a) the average market price (as defined in the Listing Rule and weighted by reference to volume) of share during the 5 trading days ending on the day before the date of the grant of the option; or
 - (b) \$1.84.
- The number of shares to be issued on exercise of options shall be adjusted in respect of bonus issues and the option exercise price shall be adjusted in respect of the bonus element included in rights issues made after the grant of options.
- Option holders are generally permitted to exercise their options only after 36 months of continuous employment within the Group after the date of the granting of those options.
- Appropriate performance hurdles as set by the Board of Directors should be satisfied before the share options.

(b) Employment Share Ownership Plan

At the 1999 Annual General Meeting shareholders approved the introduction of an Employee Share Ownership Plan. The Plan provides for eligible employees who have completed three continuous years service with Nylex Limited to initially subscribe for 250 fully paid ordinary shares in the company for no consideration, and for each subsequent year of service, the employee will receive an offer of an additional 100 ordinary shares for no consideration.

Under this Plan, employees will have full entitlements to all dividends, voting rights and any bonus shares issued.

The Employee Share Ownership Plan was suspended for the current and previous three financial years and as a consequence, no shares were granted during these financial years to employees of the Group.

In AUD	Consolidated		Company	
	2008	2007	2008	2007
40. Remuneration of auditors	KPMG	Deloitte	KPMG	Deloitte
Auditor of the parent entity:				
Audit or review of the financial report	475,024	525,198	106,000	189,500
Taxation services	41,000	167,420	41,000	167,420
Consulting services	-	116,237	-	116,237
	516,024	808,855	147,000	473,157
Other Auditors:				
Audit or review of the financial report	-	45,000	-	-

The auditor of Nylex Limited is KPMG. (2007: Deloitte Touche Tohmatsu)

41. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Cash and cash equivalents	6,657	3,541	4,673	1,694
	<u>6,657</u>	<u>3,541</u>	<u>4,673</u>	<u>1,694</u>

(b) Businesses disposed

Neither the Group or the company made any disposals in the current financial year or in the 2007 financial year. However during the 2007 year the Group received cash of \$1,608,000 in relation to a prior year business disposal.

(c) Reconciliation of profit for the period to net cash flows from operating activities

Profit for the period	(21,296)	10,914	(47,853)	38,193
(Gain) on sale or disposal of non-current assets	(405)	(331)	-	-
(Gain) on disposal of business	-	(1,608)	-	(1,608)
Net loss/(gain) on impairments	7,935	(702)	-	-
Net loss/(gain) on reversal of impairment of receivables	-	-	45,697	(39,868)
Share based payment expense	3	-	3	-
Share of associates' profit (less dividends)	(487)	(248)	-	-
Depreciation and amortisation of non-current assets	8,515	8,755	200	297
Notional finance expense	1,139	-	1,139	-
(Increase)/decrease in tax asset	1,901	(11,406)	579	(9,447)
Increase/(decrease) in reserves	(1,401)	-	-	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Trade and other receivables	13,702	(4,349)	(13,241)	596
Inventories	5,926	(456)	-	-
Prepayments	367	1,924	274	341
Other financial assets	80	125	36	169
Increase/(decrease) in liabilities:				
Trade payables and provisions	(15,395)	(13,175)	(1,404)	(6,348)
Net cash from/(used) in operating activities	<u>584</u>	<u>(10,557)</u>	<u>(14,570)</u>	<u>(17,675)</u>

42. Subsequent events

Other than as noted below, 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 not otherwise dealt with in this financial report, that has significantly affected or may affect the operations of the Nylex group, the results of those operations or the state of affairs of the Nylex group in subsequent years:

- Conversion of 1,997,561 convertible notes since 30 June 2008 increasing issued share capital by \$3.639 million and thereby reducing the amount required to be repaid to the holders of the convertible notes outstanding at 9 December 2009 by the same.
- On 30 September 2008 the Group received an offer to refinance its facilities for a twelve month period effective 1 November 2008 and expiring 31 October 2009. The principal terms of the facility have been agreed, and the Directors anticipate that the new facility will be executed. The new facilities with ANZ and Westpac will have an aggregate limit of \$80 million. These facilities comprise \$49 million term debt and \$31 million in overdraft, trade finance and bank guarantee facilities, split evenly between the two banks. The new facility includes an amortisation schedule that was agreed to by the Company as part of the terms of the new facility. See note 2(e) in respect to going concern.

43. Financial and Capital Risk Management

(a) Financial risk management objectives and policies

The Company and the Group have exposure to the following risks:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies have been established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits.

The Audit & Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Group. The Audit & Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Risk Committee.

Credit, liquidity and market risk (including foreign exchange and interest rate risk) arise in the normal course of the Group's business. The Group's principal financial instruments comprise interest-bearing debt, cash and short term deposits. Other financial instruments include trade receivables and trade payables, which arise directly from operations.

It is, and has been, throughout the period under review the Group's policy that no speculative trading in financial instruments shall be undertaken.

(b) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty is unable to complete its obligation under a financial instrument and arises principally from the Group's receivables from customers. For the Company it arises from receivables due from subsidiaries. The Group's credit risk is limited to the carrying amount of its financial assets.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. All customers who wish to trade with the Group are subject to credit verification procedures. In addition the Solutions division obtains bank guarantees for all unsecured customers and has a retention of title clause in its standard terms of trade. Receivable balances and the credit ratings of its counterparties are monitored on an ongoing basis with the results that the Company and the Group's exposure to bad debts is not significant. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Chief Financial Officer. The Group measures credit risk on a fair value basis.

Trade accounts receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group has credit risk exposure to the automotive industry which accounts for \$97.3 million of the Group's total revenue of \$274.8 million (2007: \$82.1 million of total revenue of \$308.0 million). This risk is monitored on an ongoing basis. The two most significant customers within the auto division account for \$59.4 million of total revenue (2007: \$41.1 million).

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum exposure to credit risk at the reporting date was as follows:

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
		Restated		Restated
Current				
Cash	6,657	3,541	4,673	1,694
Trade receivables	37,462	48,627	-	-
Other receivables – other entities	9,430	11,896	1,219	2,632
Interest rate swap used for hedging - asset	131	247	131	247
Forward exchange contracts used for hedging - asset	437	-	437	-
Non-current				
Other receivables – controlled entities	-	-	761,318	711,369
Other receivables – other entities	610	1,016	-	-

43. Financial and Capital Risk Management (continued)

(b) Credit risk (continued)

The ageing and currency of receivables at the reporting date was as follows:

In thousands of AUD 2008	Total	Receivables ageing analysis			Currency of receivables		
		<30 days	30-120 days	>120 days	AUD	USD	NZD
Consolidated							
Trade receivables	40,177	22,310	17,393	474	38,819	302	1,056
Other receivables	10,040	-	9,345	695	10,040	-	-
Total receivables	50,217	22,310	26,738	1,169	48,859	302	1,056
Company							
Other receivables	1,219	-	1,134	85	1,219	-	-
Other receivables-controlled entities	761,318	-	-	761,319	756,943	-	4,376
Total receivables	762,537	-	1,134	761,404	758,162	-	-
2007							
Consolidated							
Trade receivables	51,234	34,653	16,507	74	48,892	150	2,192
Other receivables	12,912	1,240	10,571	1,101	12,912	-	-
Total receivables	64,146	35,893	58,266	1,175	61,804	150	2,192
Company							
Other receivables	2,632	-	2,547	85	2,632	-	-
Other receivables-controlled entities	711,369	-	-	711,369	707,134	-	4,235
Total receivables	714,001	-	2,547	711,454	709,766	-	4,235

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The liquidity position is continually reviewed utilising cash flow forecasts to determine the forecast liquidity position to maintain appropriate liquidity levels. Note 43(e) details the repayment obligations in respect of the amount the facilities utilised.

The table below sets out the contractual maturities of financial liabilities excluding the impact of netting agreements and the currency of payables as at 30 June 2008:

2008	Carrying amount	Contractual cash flows	12 months or less	1-2 years	More than 2 years				
						AUD	USD	NZD	Euro
Consolidated									
Non-derivative financial liabilities									
Bank loans	45,800	(45,800)	45,800	-	-	45,800	-	-	-
Convertible notes	9,619	(11,286)	-	11,286	-	9,619	-	-	-
Trade and other payables	31,301	(31,301)	31,301	-	-	26,544	3,790	465	502
			77,101	11,286	-	81,963	3,790	465	502
Derivative financial liabilities									
Interest rate swap used for hedging	533	(533)	533	-	-	533	-	-	-
Forward exchange contracts used for hedging: -Outflow	4,317	(4,317)	4,317	-	-	4,317	-	-	-
-Inflow	4,191	4,191	4,191	-	-	4,191	-	-	-
			(126)	-	-	(126)	-	-	-
Company									
Non-derivative financial liabilities									
Bank loans	45,800	(45,800)	45,800	-	-	45,800	-	-	-
Convertible notes	9,619	(11,286)	-	11,286	-	9,619	-	-	-
Trade and other payables	1,307	(1,307)	1,307	-	-	1,307	-	-	-
Loans from subsidiaries	625,595	(625,595)	-	-	625,595	625,595	-	-	-
Total payables			47,107	11,286	625,595	682,321	-	-	-

43. Financial and Capital Risk Management (continued)

(c) Liquidity risk (continued)

	Carrying amount	Contractual cash flows	12 months or less	1-2 years	More than 2 years	AUD	USD	NZD	Euro
2007									
Consolidated									
Non-derivative financial liabilities									
Bank loans	45,800	(45,800)	45,800	-	-	45,800	-	-	-
Convertible notes	15,996	(19,881)	-	19,881	-	19,881	-	-	-
Trade and other payables	42,257	(42,257)	42,257	-	-	36,636	3,832	1,559	230
			88,057	19,881	-	91,591	3,832	1,559	230
Company									
Non-derivative financial liabilities									
Bank loans	41,300	(41,300)	45,800	-	-	45,800	-	-	-
Convertible notes	15,996	(19,881)	-	19,881	-	19,881	-	-	-
Trade and other payables	2,425	(2,425)	2,425	-	-	2,425	-	-	-
Loans from subsidiaries	534,059	(534,059)	-	-	534,059	534,059	-	-	-
Total payables			48,225	19,881	534,059	602,165	-	-	-

(d) Market risk

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

The Group enters into derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit & Risk Committee. The Group does not apply hedge accounting at this time.

(i) Foreign exchange risk

Foreign exchange risk arises from future commitments and assets and liabilities that are denominated in a currency that is not the Group's functional currency (primarily Australian dollars). Measuring the Group's exposure to foreign exchange risk is achieved by regular monitoring.

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Group's only investment in non AUD denominated subsidiaries is its New Zealand subsidiary. This is not hedged as the currency positions are considered to be long-term in nature.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific operational foreign currency payments and receipts. The currencies in which these transactions primarily are denominated are USD and Euro, with the majority being in respect of US dollars. Any other currency transactions are contracted at the spot rate prevailing at the time of the transaction. At 30 June 2008 the Group's material exposure to foreign exchange risk is USD.

The following significant exchange rates applied during the year:

In AUD	Average rate		Reporting date spot rate	
	2008	2007	2008	2007
USD	0.9513	0.842	0.958	0.849
Euro	0.619	0.627	0.608	0.626
NZD	1.250	1.112	1.257	1.099

Sensitivity analysis

The following table summarises the sensitivity analysis of financial instruments held at balance date to a 10% movement in the exchange rate of the Australian dollar to the US dollar, with all other variables, in particular interest rates, held constant. This analysis is performed on the same basis for 2007.

Effect in thousands of AUD	Impact on profit			
	Consolidated		Company	
	2008	2007	2008	2007
USD	+/-246	+/-260	-	-
Euro	+/-35	+/-16	-	-

43. Financial and Capital Risk Management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the cost of the floating rate debt or opportunity losses that may arise on fixed rate borrowings in a falling interest rate environment. Interest rate risk on cash and short term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

The Group's main interest rate risk arises from long-term debt. Floating rate debt exposes the group to cash flow interest rate risk and fixed rate debt exposes the Group to fair value interest rate risk. The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings and, by the use of interest rate swap contracts. Hedging is undertaken against specific rate exposures only. No hedging programs were placed during 2008.

The financial instruments exposed to interest rate risk are as follows:

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Financial assets				
Financial and other assets	538	-	538	-
Financial liabilities				
Interest-bearing liabilities	45,800	41,300	45,800	41,300

The following table summarises the sensitivity of the fair value of financial instruments held at balance date, following a 100 basis points movement in interest rates, with all other variables held constant. This analysis is performed on the same basis for 2007.

Post-tax gain/(loss) 100 basis point increase/decrease	Impact on profit			
	2008	2007	2008	2007
	146	166	146	166

(e) Financing facilities

(i) Banking Facilities

At 30 June 2008 the Group had finance facilities, split evenly with ANZ and Westpac, which had an aggregate limit of \$80.0 million. As these facilities are due to mature on 30 November 2008 they are considered for reporting purposes as current debt. These facilities comprise \$54.0 million term loan and working capital advance, \$5.0 million in overdraft and \$21.0 million in trade finance and bank guarantee facilities and are drawn down upon as follows:

	2008	2007	2008	2007
Bank overdraft facility payable at call:				
• amount used	-	-	-	-
• amount unused	5,000	5,000	5,000	5,000
	5,000	5,000	5,000	5,000
Loans				
• amount used	45,800	41,300	45,800	41,300
• amount unused	8,200	12,700	8,200	12,700
	54,000	54,000	54,000	54,000

In accordance with the agreement entered into with the Banks, the overdraft and loan facilities disclosed in notes 19 and 21 are secured over the assets of wholly owned Australian and New Zealand companies in the consolidated entity – refer note 34.

On 30 September 2008 the Group received an offer to refinance its facilities for a twelve month period effective 1 November 2008 and expiring 31 October 2009. The principal terms of the facility have been agreed, and the Directors anticipate that the new facility will be executed. The new facilities with ANZ and Westpac will have an aggregate limit of \$80 million. These facilities comprise \$49 million term debt and \$31 million in overdraft, trade finance and bank guarantee facilities, split evenly between the two banks. The new facility includes an amortisation schedule that was agreed to by the Company as part of the terms of the new facility. Refer also note 2(e).

(ii) Convertible Notes

The Group has unsecured Convertible Notes on issue with a fixed coupon rate of 10% pa which are convertible into ordinary shares of the Company, at the option of the holder up until their repayment date of 8 December 2009. Interest on the Convertible Notes is payable quarterly in arrears. The Convertible Notes are subject to various covenants which have not been breached at any time during the reporting period.

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43. Financial and Capital Risk Management (continued)

(f) Financing facilities (continued)

(ii) Convertible Notes (continued)

Repayment obligations in respect of the amounts of the facilities utilised are as follows:

In thousands of AUD

	Consolidated		Company	
	2008	2007	2007	2006
Due:				
No later than one year	45,800	3,500	45,800	3,500
Later than one but not later than two	9,619	37,800	9,619	37,800
Later than two but not later than three	-	15,996	-	15,996
	55,419	57,296	55,419	57,296

(f) Derivatives

(i) Interest rate swap contracts

The Group manages its exposure to interest rate risk by maintaining a mix of fixed rate and floating rate debt. Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts for the company and the consolidated entity outstanding as at reporting date:

Outstanding floating for fixed contracts	Average contracted fixed interest rate %		Notional principal amount In thousands of AUD		Fair value In thousands of AUD	
	2008	2007	2008	2007	2008	2007
	1-2 years	5.6925	5.744	25,000	65,000	533
			25,000	65,000	533	560

Interest rate swap contracts exchanging fixed rate interest for floating rate interest are not treated as being designated and effective as fair value hedges.

(ii) Forward foreign exchange contracts

The Group has entered into contracts to purchase inventory and plant and equipment from overseas suppliers. The Group has entered into forward foreign exchange contracts for terms not exceeding twelve months to hedge the exchange rate risk arising from these anticipated future transactions.

As at reporting date the aggregate amount of unrealised (losses)/gains under forward foreign exchange contracts relating to anticipated future transactions is an unrealised loss of \$126,000 2007:(\$ 313,000.)

The following table details the forward foreign currency contracts for the Company and the Group outstanding as at reporting date:

Outstanding contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2008	2007	2008 FC'000	2007 FC'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
USD < 3 months	0.9221	0.8243	3,136	4,350	3,400	5,277	3,284	5,141
USD > 3 months (6-12)	-	0.8220	-	5,651	-	6,874	-	6,697
Euro < 3 months	0.5998	-	550	-	917	-	907	-
							(126)	(313)

(g) Fair values

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2007: net fair value).

The net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Transaction costs are included in the determination of net fair value.

43. Financial and Capital Risk Management (continued)

(h) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board uses corporate forecasting models to facilitate the analysis of the Group's financial position including cash flow forecasts to determine the future capital management requirements. Capital management is undertaken to ensure a secure, cost effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements. The gearing ratio, being net debt over net debt plus equity as at balance date is 34.8% (2007: 33.8%).

By maintaining a stable capital base the Group is able to maintain a flexible capital structure that allows access to a range of debt and equity markets to both draw upon and repay capital.

44. Restatement of prior period balances

Consolidated

During the current financial year the Group became aware of certain balances that required restatement as follows:

A) Restatement of 30 June 2007 balances

- Certain inventory of \$831,000 which had been identified as slow-moving/obsolete prior to 30 June 2007, had not been written down to net realisable value in the 30 June 2007 financial statements; and
- Adjustments were required to the intercompany receivables and payables of \$409,000 and \$215,000 respectively at 30 June 2007 as they had been incorrectly reconciled.

B) Restatement of 30 June 2006 balances

- An accrual of \$226,000 was required to be established in respect of a loyalty incentive programme operating from the 1998 financial year for which no accrual had been made in prior financial statements; and
- Certain receivables of \$595,000, recorded several years ago and contractually not collectible, have been written back against opening retained earnings in the prior year.

In addition there have been some other minor adjustments reclassifying balance sheet and income statement items including an accrual for withholding tax that has been reclassified from Provisions to Trade and other payables of \$1,005,000 and reclassification of interest income of \$867,000. There is no tax impact on the profit variance of (\$1,025,000) as the tax impact is nullified by the recognition of losses and timing differences based on a forecast recoverable amount which is not impacted by this transaction.

The comparatives have been restated accordingly and the effect can be seen in the table below.

<i>In thousands of AUD</i>	Consolidated		
	30 June 2007 Restated	Variance	30 June 2007 Previously reported
Income Statement			
Revenue from sale of goods	308,046	(409)	308,455
Cost of sales	(236,643)	215	(236,858)
Gross profit	71,403	(194)	71,597
Other revenue	-	(867)	867
Other income	7,456		7,456
Net increment on revaluation of fixed assets	702		702
Share of result of equity accounted investment	248		248
Other expenses	(71,558)	(831)	(70,727)
Result from operating activities	8,251	(1,892)	10,143
Net financing costs	(8,833)	867	(9,700)
Profit/(loss) before tax	(582)	(1,025)	443
Income tax benefit	11,496		11,496
Profit attributable to members of Nylex Limited	10,914	(1,025)	11,939
Earnings per share			
Basic (cents per share)	34.3		37.6
Diluted (cents per share)	25.6		27.7

44. Restatement of prior period balances (continued)

In thousands of AUD

	Consolidated		
	30 June 2007		30 June 2007
	Restated	Variance	Previously reported
Balance sheet			
Current Assets			
Trade and other receivables	60,523	(1,231)	61,754
Inventories	54,142	(831)	54,973
Current Liabilities			
Trade and other payables	42,257	790	41,467
Provisions	15,182	(1,005)	16,187
Net Assets	103,937	(1,847)	105,784
Equity			
Issued capital	673,574		673,574
Reserves	5,213		5,213
Accumulated losses	(574,850)	(1,847)	(573,003)
Total Equity	103,937	(1,847)	105,784

Company

During the current financial year the company became aware of certain balances that required restatement as follows:

A) Restatement of 30 June 2006 balances

- Certain provisions of \$860,000 duplicated in previous years incorrectly have been written back to opening retained earnings in the prior year; and
- Certain intercompany receivables of \$2,324,000 recorded in previous years incorrectly have been written back against opening retained earnings in the prior year.

The comparatives have been restated accordingly and the effect can be seen in the table below. There is no impact on the Income Statement in the 2007 financial year.

In thousands of AUD

	Company		
	30 June 2007		30 June 2007
	Restated	Variance	Previously reported
Balance sheet			
Current Assets			
Trade and other receivables	711,369	(2,324)	713,693
Current Liabilities			
Provisions	4,068	(860)	4,928
Net Assets	129,093	(1,464)	129,093
Equity			
Issued capital	673,574		673,574
Reserves	3,997		3,997
Accumulated losses	(548,478)		(548,478)
Total Equity	129,093	-	129,093

Corporate Information

DIRECTORS

Peter George

Executive Chairman

Age : 54

Date of Appointment: 2 June 2004, appointed Executive Chairman 20 February 2006

Resides in Melbourne

Executive Chairman of the Board, chairs the Nominations, Remuneration and Corporate Governance committee and is a member of the Audit & Risk Committee. Mr George is an experienced executive and non-executive director specialising in corporate strategy and finance including acquisitions, divestments, process re-engineering, company refinancing and turnarounds. His industry experience embraces telecommunications, internet and media, transport, health care, printing and distribution. He is currently a director of PMP Limited (since December 2002) and was appointed a director of Asciano Limited in March 2007. He resigned as a director of B Digital Limited in November 2006. During the past three years he has not held any other ASX listed directorships.

Terrence Charles Francis

Independent Non Executive Director

Age : 61

Date of Appointment: 30 October 2003

Resides in Melbourne

Chairs the Audit & Risk Committee. Mr Francis held senior management positions in Bank of America in Australia from 1994 to 2001, including the position of Managing Director, as well as in Deutsche Bank Australia Ltd from 1988 to 1993. He has also acted as a consultant advising on capital structure, capital markets and project and infrastructure development. He is currently a director of Boom Logistics Limited (since January 2005), is the Chairman of Southern and Eastern Integrated Transport Authority and a director of Emergency Services Telecommunications Authority and ANZ bank's private equity business. During the past three years he has not held any other ASX listed directorships. He is a member of the University Council of RMIT. He has a Bachelor of Civil Engineering degree, an MBA and is a fellow of both the Institute of Financial Services and Australian Institute of Company Directors.

Ian Leslie Fraser

Independent Non Executive Director

Age : 62

Date of Appointment: 18 December 2006

Resides in Sydney

Member of the Audit & Risk Committee. Mr Fraser has extensive experience in corporate turnarounds, particularly in Australian manufacturing, and is a former Managing Director of TNT Australia Pty Ltd, Clyde Industries Limited and Pioneer Sugar Mills Limited. Mr Fraser is currently the Chairman of Forest Place Group Limited (since December 2001) and a Non-Executive Director of PMP Limited (since April 2003), Structural Systems Limited (since May 2004) and Legend Corporation (since January 2008). He was a director of Lighting Corporation Limited from June 2006 to January 2008). Previous non-executive directorships held during the last three years include Promentum Limited (January 2005 to May 2007), B Digital Limited (May 2006 to December 2006) and Occupational and Medical Innovations Limited (November 2004 to January 2007). He is a fellow of the Australian Society of CPA's.

John Robert Nicholls

Non Executive Director - Non Independent from 18 September 2007

Age : 67

Date of Appointment: 18 December 2006

Resides in Sydney

Mr Nicholls is a director of Harmony Capital Partners, a Singapore based investment fund specialising in restructuring and turnaround investing. He has extensive experience in the Australian and international business communities with start-up and established companies, having held senior management positions and directorships for several Australian and international companies across a broad range industries. Mr Nicholls is currently a director of Metalstorm (since September 2006) and Brandrill Limited (since December 2006). During the past three years he has also been a director of Chemeq Limited (May 2005 to October 2006). He has a Bachelor of Commerce degree and MBA from the University of New South Wales.

Suresh Withana

Non Executive Director - Non Independent from 18 September 2007

Age : 35

Date of Appointment: 18 December 2006

Resides in Singapore

Mr Withana is the Managing Director and Chief Investment Officer of Harmony Capital Partners, a Singapore based investment fund specialising in restructuring and turnaround investing. Mr Withana brings strong banking, investment and financial skills to the Board. He is currently a director of ATR Kim Eng Financial Corporation (PHP) as well as a number of private company boards including Harmony Capital. Over the last three years he was a director of Mizuho International PLC and Brandrill Limited (December 2004 to February 2007). Mr Withana is an Economics and Law graduate from the University of Sydney.

COMPANY SECRETARY

Desmond Kelly

Age : 53

Date of Appointment: 2 June 2006

Resides in Perth

Mr Kelly has a Bachelor of Commerce from the University of Western Australia and is a CPA member of CPA Australia and a member of the Australian Institute of Company Directors. He has held a number of Company Secretary positions and has been a Director of public listed companies.

ASX Additional Information

DETAILS OF DIRECTORS' INTEREST IN SHARE CAPITAL

At 16 September 2008 the interest of each director of the company in the equity securities of the company and other securities with rights to conversion to equity of the company was as follows:

Director	Fully Paid Ordinary Shares		Convertible Notes		Options over issued shares	
	Directly	Indirectly*	Directly	Indirectly*	Directly	Indirectly*
P George	-	-	-	-	-	-
TC Francis	4,328	2,867	637	422	2,002	53,826
IL Fraser	-	30,000	-	-	-	-
JR Nicholls	-	-	-	(a)	-	(a)
S Withana	-	-	-	(a)	-	(a)

* Interest held by associated company/person

(a) Mr Nicholls and Mr Withana are both directors of Harmony Investment Fund Limited (Harmony). Harmony has interests in 10,275,498 ordinary shares, 8,993,406 options over ordinary shares and 1,734,412 convertible notes. These interests are held by Citicorp Nominees Pty Limited.

DISTRIBUTION BY SIZE OF HOLDING AS AT 16 SEPTEMBER 2008

Holding between	Ordinary Shareholders	Number of	
		Convertible notes	Options over ordinary shares
1 - 1,000	12,721	3,139	3,392
1,001 - 5,000	2,184	216	704
5,001 - 10,000	347	39	112
10,001 - 100,000	322	31	140
100,001 - and over	30	3	11
Total	<u>15,604</u>	<u>3,428</u>	<u>4,359</u>
Holding less than a marketable parcel	<u>12,811</u>	<u>2,638</u>	<u>4,269</u>

There is no current on-market buy back for these securities

NUMBER OF SECURITIES ON ISSUE

The following equity securities were on issue as at 16 September 2008.

- 51,467,674 fully paid ordinary shares
- 4,136,213 10% convertible notes
- 27,917,035 options over ordinary shares

SUBSTANTIAL HOLDERS AS AT 16 SEPTEMBER 2008

Names of substantial holders as disclosed in substantial holder notices given to the company are listed below.

	<u>Number of Shares</u>
Harmony Investment Fund Limited	10,275,498
Wroxby Pty Ltd	10,516,087
Australian Capital Equity Pty Ltd (Group) (the ultimate holding company of Wroxby Pty Ltd ("Wroxby") and deemed to have a relevant interest in securities held by Clabon and ACE Employee Share Plan Pty Ltd ("AESP"))	10,516,087
Kerry Matthew Stokes (deemed to have a relevant interest in securities held by Wroxby and Kemast Investments Pty Ltd)	10,617,854

VOTING RIGHTS

All issued ordinary shares of the company carry one vote per share on a poll, or one vote per member on a show of hands. Options issued by the Company do not carry a right to vote. Convertible notes issued by the Company do not carry a right to vote except as provided for in the ASX Listing Rules or the Corporations Act.

ASX Additional Information (continued)

TWENTY LARGEST SHAREHOLDERS AS AT 16 SEPTEMBER 2008

The names of the twenty largest holders of ordinary issued shares and option over ordinary shares are as follows:

	No. of shares held	%		No. of options held	%
Citicorp Nominees Pty Limited DRP Account	11,152,578	21.7	Citicorp Nominees Pty Limited	8,995,097	32.2
Wroxby Pty Ltd	8,316,086	16.2	Wroxby Pty Ltd	5,327,307	19.1
Pivotal Group (Aust) Pty Ltd	2,200,000	4.3	Investec Bank (Australia) Limited	2,717,391	9.7
Trojan Equity Limited	1,759,000	3.4	Hishenk Pty Ltd	1,420,000	5.1
National Nominees Limited	1,249,923	2.4	Mr Rodney David Tighe	928,983	3.3
HSBC Custody Nominees (Australia) Limited	1,215,409	2.4	Mr Alistair Peter Wright	500,000	1.8
Mr Giuseppe Coronica	1,113,168	2.2	Mr Mohamad Abas	426,460	1.5
UBS Nominees Pty Limited	778,100	1.5	Mr William Richard Bolwell	200,000	0.7
Hishenk Pty Ltd	581,000	1.1	Mr Gregory Robert Lack	190,103	0.7
JP Morgan Nominees Australia Limited	513,080	1.0	Merrill Lynch (Australia) Nominees Pty Limited	116,489	0.4
Inter City Development Corporation Pty Ltd	438,948	0.9	Mr Giuseppe Coronica	101,979	0.4
ANZ Nominees Limited <Cash Income A/c>	355,897	0.7	Mr Giuseppe Coronica and Mrs Yvonne Price G Coronica Pty S/F a/c	100,000	0.4
Chembank Pty Limited <Philandron a/c>	350,000	0.7	Mrs Jeanette Marjorie Wright	100,000	0.4
Blamnco Trading Pty Ltd	300,000	0.6	Fishtech Investments Pty Ltd	91,521	0.3
Mr Graeme Sampieri	239,036	0.5	Mr Stephen T Biggs and Mr Steven C Biggs -Tim Biggs Super Fund A/c	77,077	0.3
Merrill Lynch (Australia) Nominees Pty Limited	235,838	0.5	Valibhoy Group	75,397	0.3
Valibhoy Group	225,461	0.4	Mr Malcolm William Buckton	68,235	0.2
Citicorp Nominees Pty Limited	218,167	0.4	Mr Alan John Rothe	67,588	0.2
Mr Peter G Bulte and Mrs Kathleen A Bulte <PG & KA Bulte Super A/c>	200,000	0.4	Mulmore Investments Pty Ltd S/F A/c	66,897	0.2
Luton Pty Ltd	192,025	0.4	Luton Pty Ltd	65,711	0.2
	<u>31,633,713</u>	<u>61.7</u>		<u>21,636,235</u>	<u>77.4</u>

The names of the twenty largest holders of convertible notes are as follows:

	No. of convertible notes held	%
Citicorp Nominees Pty Limited	1,734,950	42.0
Mr Giuseppe Coronica	345,000	8.3
Mr Andrew Roy Newbery Sisson	112,000	2.7
Luton Pty Ltd	70,908	1.7
H E Rose Superannuation Pty Ltd <Hilda Rose Super fund a/c>	50,000	1.2
Mrs Susan Margaret McDonald	45,233	1.1
Mr John Haddon Mitchell	40,000	1.0
Merrill Lynch (Australia) Nominees Pty Limited	36,028	0.9
Geowin Pty Ltd <Geowin Super fund a/c>	35,045	0.9
ANZ Nominees Limited <cash income a/c>	34,145	0.8
Troydam Pty Limited Superannuation Fund Account	26,877	0.7
Mrs Julia Grace Parfitt	24,710	0.6
BFA Pty Ltd	24,301	0.6
Valibhoy Group	23,990	0.6
Sandstone Nominees Pty Ltd <JW Mackenzie Private S/F Account>	23,702	0.6
Mrs Deborah Ann Harrowell	23,132	0.6
Mr Carlo Inglese KGCA Pty Ltd S/F A/C	20,500	0.5
Mr Kanwal Kumar Verma and Mrs Indu Verma <Verma Superfund A/c>	20,433	0.5
Lindsay Sendiri Pty Ltd <Robert Shaw Super Fund A/c>	20,395	0.5
Mr Alan John Rothe	19,055	0.5
	<u>2,730,404</u>	<u>66.3</u>

Five Year Record

For the Year Ended 30 June

<i>In thousands of AUD</i>	A-IFRS				AGAAP
	2008	2007 (1)	2006	2005	2004
Sales (continuing and discontinuing)	274,763	308,046	376,018	539,378	749,833
Profit/(loss) from continuing operations before interest and tax	(1,762)	8,251	(19,713)	19,156	22,929
Impairment, restructure and rationalisation provisions	(10,140)	-	(12,549)	(27,754)	(91,302)
Net finance Costs	(7,592)	(8,833)	(7,732)	(10,852)	(21,839)
Profit/(loss) from continuing operations	(19,494)	(582)	(39,994)	(19,450)	(90,212)
Income Tax benefit (expense)	(1,802)	11,496	3,997	3,184	(5,400)
Profit/(loss) from continuing operations after tax	(21,296)	10,914	(35,997)	(16,266)	-
Profit/(loss) from discontinued operations	-	-	49,141	(29,412)	-
Outside equity interests	-	-	-	-	1,334
Earnings for Nylex Shareholders	(21,296)	10,914	13,144	(45,678)	(94,278)
Assets Employed					
Fixed Assets	48,723	54,049	54,076	86,242	139,059
Investments	-	-	-	-	-
Other Non-Current Assets	36,837	47,762	36,184	35,782	32,889
Current Assets	103,733	120,003	116,795	212,228	231,714
Total Assets	189,293	221,814	207,055	334,252	403,662
Financed by					
Share Capital	682,188	673,574	655,134	645,121	541,384
Reserves	2,278	5,213	(351)	134	5,590
Accumulated Losses	(596,143)	(574,850)	(584,856)	(597,869)	(552,206)
Outside equity interest in controlled entity	-	-	-	-	(44)
Total Equity	88,323	103,937	69,927	47,386	(5,276)
Non-Current Liabilities	2,900	41,589	4,637	139,150	134,739
Current Liabilities	98,070	76,288	132,491	147,716	274,199
Total Liabilities	100,970	118,092	137,128	286,866	408,938
Total Funds Employed	189,293	221,814	207,055	334,252	403,662
Depreciation and Amortisation	8,515	8,755	14,164	22,301	27,851
Net Cash Inflow/(Outflow) from Operating Activities	584	(10,557)	(2,105)	(2,172)	(21,819)
Other Information					
<u>Share Information</u>					
1. Earnings per share (cents)*	(45.2)	34.3	52.0	(232.0)	(732.0)
2. Dividends per share – actual dividend for year (cents)*	0.0	0.0	0.0	0.0	0.0
3. Dividend payout ratio	0.0	0.0	0.0	0.0	0.0
4. Net tangible assets per share (cents)*	156.8	201.5	157.6	80.0	0.0
<u>Performance Ratios and Statistics</u>					
5. Return on shareholders' funds	n/a	n/a	n/a	n/a	n/a
6. Interest cover (times)**	(0.1)	2.1	(2.5)	1.76	1.10
7. Gearing ratio (debt / (debt + equity))	38.3%	35.3%	47.1%	76.5%	100.1%
8. Share price – High *	2.46	3.72	11.60	18.80	18.00
- Low*	0.31	1.26	1.80	9.60	10.40
- Last*	0.37	1.30	2.20	10.40	10.80

(1) Restated

*Historic numbers adjusted for 40:1 share consolidation in December 2006.

** Interest cover net of non-cash notional interest on convertible notes.