DEXION®

EXPANSION

2007 ANNUAL REPORT

CONTENTS

DEXION LIMITED
ABN 92 105 330 041

AGM
Monday 21 April 2008 at 10.00am.
Auditorium of the KPMG Building,
Ground Floor, 10 Shelley Street,
Sydney NSW 2000

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

The directors present their report together with the financial report of Dexion Limited ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the year ended 31 December 2007 and the auditor's report thereon.

Directors

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

NAME AND QUALIFICATIONS	AGE	EXPERIENCE AND SPECIAL RESPONSIBILITIES
Mr R Wright Chairman Appointed Director and Chairman on 18 March 2005 Independent Non-Executive Director Member of the Audit and Risk Compliance Committee Chairman of the Board Nomination and Remuneration Committee Mr Wright holds a Bachelor of Commerce Degree from the University of Canterbury and is a FCPA	59	Mr Wright has over 30 years financial management experience, having held a number of Chief Financial Officer positions, including Finance Director of David Jones Limited. Mr Wright is currently a Director of Australian Pipeline Limited, Super Cheap Auto Group Limited, Babcock & Brown Residential Land Partners Group and is the Chairman of SAI Global Limited.
Mr P Farmakis Appointed Director on 21 March 2007 Managing Director Member of the Board Nomination and Remuneration Committee Mr Farmakis holds a Bachelor of Science Degree from the University of Wollongong and a Graduate Diploma in Marketing from University of Technology, Sydney	40	Mr Farmakis joined Dexion Limited in 2007 as Managing Director, having previously worked in a variety of senior management positions. After working for Dulux, Bayer and Ciba-Geigy in Australia, he spent 2 years in Switzerland with Ciba SC in strategic planning. Immediately prior to joining Dexion he was General Manager of Distribution at Smorgon Steel Pty Ltd.
Mr B Fuller Appointed Director on 30 June 2003, retired 16 March 2007 Managing Director Member of the Audit and Risk Compliance Committee Member of the Board Nomination and Remuneration Committee Mr Fuller holds a Master of Business Administration from the University of New England	64	Mr Fuller joined Dexion Limited in 1966 and was appointed Chief Executive in 1976. Mr Fuller retired from the company and the position of Managing Director on 16 March 2007.
Mr T Clayton Appointed Director on 12 August 2003 Company Secretary Finance Director Mr Clayton holds a BA (Hons) Business Studies from Manchester Metropolitan University, Business School and is a FCPA	55	Mr Clayton joined Dexion Limited in 2000 as Finance Director having previously worked in corporate banking and finance. He spent 12 years with Banque Nationale de Paris prior to joining Burns Philp & Co for 7 years where he worked in Head Office and also as General Manager Finance for the Shipping Division.
Mr G Spurling Appointed Director on 19 February 2004 Independent Non-Executive Director Chairman of the Audit and Risk Compliance Committee Member of the Board Nomination and Remuneration Committee Fellow of IE Australia, AICD and TSE Bachelor of Technology, Mechanical Engineering – Adelaide University	70	Mr Spurling's previous executive appointments include: Managing Director with Mitsubishi Motors Australia, President and CEO of GNB Technologies (USA), and Non Executive directorships with various public and private companies. Mr Spurling is currently a Director of Medvet Inc, Phoenix Copper Ltd and Sunenergy Ltd.
Mr K Boundy Appointed Director on 12 September 2006 Independent Non-Executive Director Member of the Audit and Risk Compliance Committee Member of the Board Nomination and Remuneration Committee Masters degree in Agricultural Science Masters degree in Business Administration Fellow of AICD, AIM and AIAST	56	Mr Boundy is a company director; strategy consultant; and businessman – with particular interests in international marketing. Previous executive appointments include: Managing Director of Tourism Australia from 2001 to 2005, following 15 years in leadership roles in the private sector. Mr Boundy is currently a Director of Horticulture Australia, Acelero, AutoBake and Tarkine Wilderness.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings		Audit & Risk Compliance Committee Meetings		Board Nomination & Remuneration Committee Meetings	
	A	B	A	B	A	B
Mr R Wright	11	11	2	2	2	2
Mr P Farmakis	8	8	1*	1	2	2
Mr B Fuller	3	3	1	1	0	0
Mr T Clayton	11	11	2*	2	2*	2
Mr G Spurling	11	11	2	2	2	2
Mr K Boundy	10	11	1	2	2	2

A – Number of meetings attended

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

* Mr P Farmakis and Mr T Clayton attended the Committee Meetings at the invitation of the Committee

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year were that of the manufacture and distribution of industrial storage equipment, integrated systems and office storage and filing solutions.

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

OPERATING AND FINANCIAL REVIEW

Dexion Limited, normalised profit after tax of $11.8m for the twelve months ended 31 December 2007, up 34% on the prior year. Net profit after tax and after the amortisation of intangibles and one off expenses, reached $10.5m up 20% on the prior year.

The result was pleasing given the tremendous amount of work currently underway on specific projects to improve the business and consolidate acquisitions.

The investments which have been completed in the Commercial Solutions market have created a significant business alongside Dexion's well established and growing Industrial Solutions business.

The Board declared a final dividend of 5 cents per share, fully franked, an increase of 1 cent on the interim dividend. The record date for the final dividend is 6 March 2008, and the dividend is payable on 20 March 2008.

Highlights from the 2007 year are:

- Sales revenue up by 34% to $251m
- Normalised Net profit after tax up by 34% to $11.8m
- Earnings Per Share, on normalised Net Profit After Tax, improved by 16%
- Acquisition of:
  - Hamilton Perry Industries Ltd
  - Elite Built Pty Ltd
  - Precision (Audeo Ltd)
  - Godfrey Office Equipment Pty Ltd
  - Darroch Consulting Ltd
- Opening of the Malaysian facility in Q4
- Successful ERP integration in New Zealand
- Strong Operating Cash Flow of $11.5m
- Fully franked final dividend of 5 cents per share.

OPERATING AND FINANCIAL REVIEW CONTINUED

Financial Overview

(For the 12 months ended 31 December 2007) $000's	2007	2006	% Change
Sales Revenue	250,967	187,147	34
Earnings before interest, tax, depreciation and amortisation (EBITDA)	22,187	15,013	48
Depreciation	3,496	2,022	74
Earnings before interest, tax and amortisation (EBITA)	18,691	12,991	44
Net interest costs	3,229	680	375
Tax expense	3,717	3,510	6
Reported Net Profit After Tax	10,560	8,801	20
Amortisation of intangibles (tax effected)	864	-	-
One-off Costs (tax effected)	340	-	-
Normalised Net profit after tax	11,764	8,801	34
Reported Earnings per share (cents)	16.9	16.2	4
Normalised Earnings per share (cents)	18.8	16.2	16
Total dividend per share (cents - fully franked)	9.0	8.0	13

During 2007 Dexion incurred a non-cash amortisation expense of $1.2m (pre-tax) in connection with acquired intangible assets and one off restructuring cost totalling $0.5m (pre-tax). These costs relate to restructuring of manufacturing facilities in Malaysia and Australia.

	SEGMENT REVENUE		SEGMENT EBITA	
	2007 $M	2006 $M	**2007 $M**	2006 $M
Australia and NZ	**219.2**	160.2	**17.5**	11.5
Asia	**31.8**	26.9	**1.2**	1.5
Total	**251.0**	187.1	**18.7**	13.0

Sales for the period totalled $251m an increase of $64m on the prior year. The main driver of the sales improvements was from acquired businesses. EBITA margins improved 0.6% to 7.5% showing the benefit from business improvements and the mix of businesses.

Cash flow from operating activities totalled $11.5m well up on the prior year and is attributable to the higher levels of earnings and good working capital management. The effective tax rate was 26% and reflects investment allowances in Malaysia and the increases in R&D spending in Australia which attracts concessionary tax treatment.

The company funded acquisitions with an appropriate balance of debt and equity which resulted in gearing remaining unchanged at 49%. The debt maturities are medium to long term with the company maintaining substantial undrawn credit facilities.

Operational Review

The Industrial Solutions business in Australia was able to further advance the healthy sales increases achieved in the prior year. Having completed a flagship state of the art automatic pallet storage and retrieval system further significant orders have been received for this type of solution.

The Industrial Solutions business in New Zealand (the combination of the former Capital Racking and HPI businesses) had a very successful year. Local management has made great progress in the integration of the businesses from all aspects including staff, IT, products and production. In 2008 we commenced the transitioning of the Christchurch production facility with the objective of fully transferring all operations to the expanded East Tamaki facility in Auckland by the start second quarter. This project involves capital expenditure of $0.6m and one off expenses of approximately $1m pre-tax.

The new Malaysian factory was opened in the third quarter. The expansion improves capacity threefold. Earnings were down because of the one off costs of the relocation, and the higher fixed costs associated with the larger facility. Increases in production activity will see an improved performance in the current year. The acquisition of Xiao Bao Storage Systems Equipment Co Ltd in China is expected to be finalised in March.

The Commercial Solutions business now represents a meaningful second business for Dexion. This follows acquisitions of Elite, Precision and Godfreys. During the year the production of all Australian manufactured products was transferred to the Elite facility at Bayswater from Sydney and Adelaide. This resulted in a number of redundancies and one off expenses. The performance of Precision was below expectations primarily because of a delayed product launch.

OPERATING AND FINANCIAL REVIEW CONTINUED

Recently we entered into an exclusive licensing arrangement to manufacture and distribute the office products of Spacesaver a leading US office products business. Progress is now underway to commence production of these products in Malaysia.

Outlook

Dexion is continuing to drive innovation across its businesses and this is evident in new product introductions and the sophistication of the systems solutions offered by the Industrial Solutions business.

We have a number of projects underway to improve productivity and offset the impact of rising input costs. The enquiry level and order intake remains solid. Normalised NPAT in 2008 is anticipated to be around $14m (before amortisation of intangibles and one off costs associated with the consolidation of production in New Zealand).

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount $000's	Franked / unfranked	Date of payment
Declared and paid during the year 2007				
Final 2006	4.5	2,522	Franked	21 Mar '07
Interim 2007	4.0	2,580	Franked	21 Sept '07
		5,102		

Franked dividends declared and paid during the year were franked at the rate of 30%.

Declared after end of year:

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

	Cents per share	Total amount $000's	Franked / unfranked	Date of payment
Final 2007	5.0	3,225	Franked	20 Mar '08

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 31 December 2007 and will be recognised in subsequent financial reports.

REMUNERATION REPORT

The Remuneration Report outlines the policies and procedures of the Board of Dexion Limited and complies with the required disclosure about the remuneration of executive and non-executive directors to ensure market transparency and accountability to our shareholders.

The information in this report assists investors to understand:

- The benefits and costs of the Company's remuneration policies
- The link between the Company's performance and the performance of directors and executives
- Remuneration details for specified Company directors and executives in this financial year

Remuneration policy

The Company's Board Nomination and Remuneration Committee provides an efficient mechanism for determining remuneration policy whilst enabling the Board to focus on making informed decisions about its framework implementation, in keeping with ASX Corporate Governance Council's Best Practice.

The Company's Board Nomination and Remuneration Committee is Chaired by Mr Robert Wright and operates under delegated authority of the Board. Its Charter is available on the Dexion website www.dexion.com.au. The Committee has met 2 times in 2007. The Committee consults with Hay Group who are an independent, professional consultant for market information and advice about remuneration to meet its policy objectives to ensure that remuneration policy is balanced and independent.

The Committee aims to assist and advise the Company to develop policies which provide the best value for shareholders by:

- Ensuring that remuneration supports undertakings in the Company's Board Nomination and Remuneration Committee Charter
- Undertaking regular review of remuneration practices to ensure comparability to those offered to directors and executives of similar companies
- Offering competitive remuneration incentives to attract, motivate and retain the most effective and productive directors and executives
- Linking fair and responsible remuneration between individual and company performance
- Ensuring a correlation between executive bonus rewards and value for shareholders

Directors & senior executive remuneration - audited

As a listed Company, Dexion Limited is required to disclose the remuneration details of each of its directors and the five most highly paid executives with the greatest authority for managing the strategic direction and operational management of the Company.

The following directors and executives have been identified under the requirements for remuneration disclosure for shareholders.

DIRECTORS	POSITION
Mr Robert Wright	Non-Executive Chairman
Mr Graham Spurling	Non-Executive Director
Mr Kenneth Boundy	Non-Executive Director
Mr Peter Farmakis	Managing Director
Mr Brenton Fuller	Managing Director (retired 16 March 2007)
Mr Trefor Clayton	Finance Director/Company Secretary

EXECUTIVES	POSITION
Mr Tim Threlfall	Executive General Manager, Commercial Solutions
Mr Farhad Nourai	Executive General Manager, Dexion Integrated Systems
Mr Martyn Isbell	Executive General Manager, International
Mr Frank Johnstone	Managing Director, South East Asia
Mr Mark Barraclough	Executive General Manager, Industrial Solutions

Remuneration components

The Company recognises the importance of providing balanced remuneration packages which take account of the Company's short and longer term circumstances and plans. To this extent, the company has three components of its remuneration structure.

- Fixed fees or salary
- Short Term Incentive bonuses (STI)
- Long Term share based Incentives

REMUNERATION REPORT CONTINUED

Fixed remuneration

Fixed remuneration consists of base salaries paid to executives and fees paid to non-executive directors. It is calculated on a total cost to the Company basis and includes company superannuation contributions and benefits (such as a motor vehicle), including fringe benefits tax.

Compensation levels are reviewed annually by the remuneration committee through a process that considers individual, segment and overall performance of the consolidated entity. In addition external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. Executive compensation is also reviewed on promotion.

Non-executive directors

The fees paid to non-executive directors are periodically reviewed by the Board Nomination and Remuneration Committee. Advice may be sought from external advisors to determine appropriate fixed fees with reference to allocations made to non-executive directors in similar organisations and commensurate with the amount of time which each non-executive director allocates to company matters. The fees paid to non-executives are within a maximum aggregated limit for which shareholder approval will be sought for any incremental changes at the Company's Annual General Meetings.

Non-executive directors' fees are set by the Board. The Board Nomination and Remuneration Committee is responsible for reviewing a non-executive directors' fees. The Committee makes recommendations to the Board, taking into account:

- The Company's remuneration policy
- The time necessary to effectively discharge responsibilities and reviewing the other commitments of the non-executive directors which impact upon this
- The level of remuneration necessary to attract and retain directors of a suitable calibre; and
- Independent professional advice

Non-executive directors are also reimbursed for the cost of travel, accommodation and other expenses incurred on company business and are entitled to superannuation in accordance with statutory requirements.

Executives

The Company consults an external advisor to assist it in setting fixed remuneration structures that represent a benchmark for executive salaries in comparable organisations. The broad objective is to ensure that the fixed remuneration is pitched at median market rates.

The fixed primary benefits paid to executives include salary, bonuses, superannuation and non-monetary benefits such as motor vehicles.

At-risk remuneration – Short Term Incentives (STI)

The STI program involves linking specific annual performance measures with the opportunity to earn cash rewards as a percentage of fixed remuneration. The STI Plan is specifically designed to reward executives for the successful achievement of business unit and/or Company performance measures over the financial year.

STI performance measures for the Managing Director and the executives reporting directly to this function are determined annually by the Board to reflect the strategic business objectives of the Company. The particular STI performance objectives which an individual executive will be expected to achieve as part of the at-risk remuneration will vary according to the role and responsibilities within the organisation. This information is outlined in relation to the information provided on specified executives, below. Broadly, the STI Plan is based on indicators such as quantifiable financial goals, as set by the Board of Directors, linked to the relevant business unit's profit and cash flow.

Performance measures under the STI

The STI performance measures have been selected to provide a financial incentive to executives to improve the Group's performance and its productivity. The performance measures are based on the achievement of profit and operating cash flow.

Financial measures are based on the relevant business unit's financial results for the full financial year. The achievement of STI performance measures is assessed and determined by the Board. Bonuses are paid as a proportion of annual remuneration as at the end of the financial year. The non-financial objectives vary with position and responsibility and include measures such as evaluation of potential acquisitions, identification and implementation of process improvement and successful launch of new products.

STI conditions

The conditions of the STI program are:

- Performance criteria are based on the audited statutory accounts of the Company for the full financial year
- STI payments are set to a maximum of 50% of total remuneration on attainment of 115% of the Plan for Group NPAT/Operating EBITA. Pro-rata bonus payments do not apply if Group NPAT/Operating EBITA is exceeded by more than 115%
- Should actual NPAT/Operating EBITA fall between the threshold and target performance or between target and stretch performance, STI will be paid on a pro-rata basis.
- The STI program is self financed, so that the profit for the purposes of calculating the STI is measured after including the impact of STI.
- No STI payments are made to an Executive who ceases to be employed by the Company before the end of the financial year
- STI is fully taxable

The Company and business unit STI performance measures contain threshold (95% of plan), target (100% of plan) and stretch objectives of (115% of plan). Threshold objectives must be met for any incentive to be payable.

Long Term Incentive – executive performance award plan

The Plan is designed to provide the Company with a mechanism to encourage the retention of strategically important Executives; align the interests of Executives with Shareholders and align the rewards under the Plan with the long term performance of the Company.

The Board has sought advice from Hay Group, independent remuneration specialists, in determining the structure of the Plan. Participation in the Plan is limited to Executives selected by the Board who have expertise and operational importance to the Company. The Board may grant an Executive either Options or Performance Share Rights (PSRs) ('Awards'). Awards may be granted for no consideration and on specific terms, including performance criteria which must be met prior to Awards vesting. Awards are not quoted on any stock exchange.

The value of the PSRs at the time of award assessment can range from 2.5% to 40% of total remuneration.

The Board Nomination and Remuneration Committee ('Committee'), as delegated by the Board, administers the Plan in accordance with the terms of the Plan and the specific terms of grant of Awards under the Plan.

REMUNERATION REPORT CONTINUED

Performance measures under LTI

The Company must achieve a cumulative annual growth of Normalised Earnings Per Share (EPS) of at least 8% p.a. over the Performance Period in order for any PSRs to vest. At an EPS growth rate of 8% p.a. half of the allocation will vest. A pro-rata increase in the proportion of PSRs vesting will occur as the cumulative EPS growth rate increases. The full allocation of PSRs will vest if EPS growth reaches 12% p.a. over the Performance Period. Yearly EPS growth will be measured as growth over the course of the year with reference to the prior year as the base year comparison. The EPS for the base period of 2006 is 16.18 cents per share.

LTI conditions

If the Executive ceases to be employed by the Company other than for death, disability or redundancy, the Awards lapse automatically unless the Committee decides otherwise.

If the cessation of employment occurs before vesting and is attributable to death, disability, retrenchment or other circumstance determined by the Committee to be a Special Circumstance, the Committee may at its discretion bring forward the First Exercise Date of the Awards or waive or amend any Performance Criteria.

Awards that have vested may be exercisable into ordinary shares at any time prior to 10 years after the Date of Grant, otherwise they will lapse. This is the maximum period under the Plan however this may be reduced under the terms of a specific grant under the Plan.

The initial grant will be subject to the rules of the Plan, including the general 12 month restriction on shares obtained on exercise of Awards. The Executive must also remain employed for three years from the date of grant (except in special circumstances such as disability, as determined by the Board) in order to retain their PSRs.

The PSRs will vest three years from the date of issue and the executive may elect to convert the PSRs into shares at any time until seven (7) years from the date of grant (ie four (4) years from the date of vesting).

Specific service agreements

Service Agreements outlining the terms and conditions of employment have been entered into by the Company with executive directors and the five specified executives.

Director	Role	Contract Notice	Maximum STI % of Annual Remuneration Package (ARP)	STI Measure and Achievement
Mr Robert Wright	Non-Executive Chairman	N/A	N/A	N/A
Mr Graham Spurling	Non-Executive Director	N/A	N/A	N/A
Mr Kenneth Boundy	Non-Executive Director	N/A	N/A	N/A
Mr Peter Farmakis	Managing Director	12 months	Up to 50% of ARP	Dexion Group NPAT – Actual vs Plan Operating Cash Flow – Actual vs Plan
Mr Trefor Clayton	Finance Director/ Company Secretary	6 months	Up to 45% of ARP	Dexion Group NPAT – Actual vs Plan Operating Cash Flow – Actual vs Plan

Executives

The service agreements for the specified executives provide the following:

- In the event of termination of employment for any reason, the Specified Executives are prohibited from engaging in activity that would compete with the Company for a period of 12 months.
- The specified executives receive STI payments upon the achievement of specific performance hurdles. The STI payments will be paid to the executives within a range up to 35%. The awarding of an STI payment is subject to achievement of quantifiable financial performance criteria such as Company/Business Unit profit and cash flow.
- Payment by the Company for common expatriate costs such a taxation advice, accommodation and return trips to the Specified Executive's home country, as well as reasonable costs for relocating back to their home country at the completion of their contract.

Executive	Role	Contract Notice	Maximum STI % of Annual Remuneration Package (ARP)	STI Measure and Achievement
Mr Tim Threlfall	Executive General Manager, (Commercial Solutions)	3 months	Up to 35% of ARP	Dexion Group NPAT – Actual vs Plan Business EBITA – Actual vs Plan
Mr Martyn Isbell	Executive General Manager (International)	6 months	Up to 35% of ARP	Dexion Group NPAT – Actual vs Plan Business EBITA – Actual vs Plan
Mr Farhad Nourai	Executive General Manager (Dexion Integrated Systems)	6 months	Up to 35% of ARP	Dexion Group NPAT – Actual vs Plan Business EBITA – Actual vs Plan
Mr Mark Barraclough	Executive General Manager (Industrial Solutions)	6 months	Up to 35% of ARP	Dexion Group NPAT – Actual vs Plan Business EBITA – Actual vs Plan
Mr Frank Johnstone	Managing Director (South East Asia)	12 months	Up to 35% of ARP	Dexion Group NPAT – Actual vs Plan Business EBITA – Actual vs Plan

REMUNERATION REPORT CONTINUED

Remuneration for 2007 and 2006 financial years – audited

Details of the remuneration paid to Directors and Specified Executives during the financial years are set out in the following table.

		PRIMARY				POST EMPLOYMENT		OTHER COMPENSATION			
	Year	Salary $	Fees $	STI $ (1)	Non-monetary benefits $	Super-annuation benefits	Retirement benefits (2)	Share-based payments Options and rights (3)	Other benefits	Total	Value of options as a proportion of remuneration
Directors											
Robert Wright	2007	-	$119,266	-	-	$10,734	-	-	-	$130,000	-
(Non-Executive Chairman)	2006	-	$90,000	-	-	$8,100	-	-	-	$98,100	-
Graham Spurling	2007	-	$77,982	-	-	$7,018	-	-	-	$85,000	-
(Non-Executive Director)	2006	-	$55,000	-	-	$4,950	-	-	-	$59,950	-
Kenneth Boundy	2007	-	$77,982	-	-	$7,018	-	-	-	$85,000	-
(Non-Executive Director) (appointed 12.09.2006)	2006	-	$12,128	-	-	$1,092	-	-	-	$13,220	-
Brenton Fuller	2007	$84,722	-	-	$28,806	-	$419,154	-	-	$532,682	-
(Managing Director) (retired 16.03.2007)	2006	$367,509	-	$205,653	$53,997	-	$454,000	-	-	$1,081,159	-
Peter Farmakis	2007	$315,270	-	-	$8,024	$29,190	-	$39,805	-	$392,289	10.15%
(Managing Director) (appointed 21.03.2007)	2006	-	-	-	-	-	-	-	-	-	-
Trefor Clayton	2007	$230,000	-	-	-	-	-	$68,265	-	$298,265	22.89%
(Finance Director/ Company Secretary)	2006	$222,607	-	$101,015	-	-	-	$1,239	-	$324,861	0.38%
Specified Executives											
Farhad Nourai	2007	$128,028	-	-	$5,146	$143,883	-	$6,407	-	$283,464	2.26%
(commenced 01.11.2006)	2006	$36,780	-	-	$2,821	$3,310	-	-	-	$42,911	-
Tim Threlfall	2007	$158,257	-	-	-	$14,243	-	$10,570	-	$183,070	5.77%
(commenced 01.04.2007)	2006	-	-	-	-	-	-	-	-	-	-
Martyn Isbell	2007	$242,814	-	-	-	$19,719	-	$23,000	-	$285,533	8.06%
	2006	$196,532	-	$59,955	-	$19,607	-	$3,741	-	$279,835	1.34%
Mark Barraclough	2007	$129,174	-	-	$24,975	$20,205	-	$3,327	-	$177,681	1.87%
	2006	$115,505	-	-	$25,359	$34,015	-	$605	-	$175,484	0.34%
Frank Johnstone	2007	$171,992	-	-	$113,783	-	-	$20,470	-	$306,245	6.68%
	2006	$171,998	-	$81,140	$93,999	-	-	$3,741	-	$350,878	1.07%

Notes:

(1) STI payments are paid in the first quarter of each year after meeting STI performance measures.

(2) Mr Brenton Fuller retired in March 2007. The retirement benefit in 2006 was accrued as at 31 December 2006. The retirement benefit in 2007 relates to the payment of all accrued Long Service and Annual Leave at the date of retirement.

(3) The fair value of the Performance Share Rights 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 Rights allocated to this reporting period. In valuing the options, market conditions have been taken into account.

(4) The following factors and assumptions were used in determining the fair value of PSRs on grant date:

Grant date	Earliest vesting date	Fair value per Right	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
30/04/2007	31/03/2010	2.354	0	2.9082	30% - 40%	6.37%	0.32
01/06/2007	31/03/2010	2.322	0	2.8631	30% - 40%	6.37%	0.32

(5) The underlying assumptions are the same as the prior period.

REMUNERATION REPORT CONTINUED

Equity instruments – audited

All Rights refer to the rights to acquire ordinary shares of Dexion Limited, which are exercisable on a one-for-one basis under the Executive Performance Award Plan.

Options and rights over equity instruments granted as compensation

Details of Performance Share Rights granted as compensation to each key management person during the reporting period are as follows:

	Number of Rights issued during 2007	Grant date	Fair value per Right at grant date $	Expiry date
Directors				
Mr Peter Farmakis	73,500	30 April 2007	2.35	31 March 2014
Mr Trefor Clayton	28,000	30 April 2007	2.35	31 March 2014
Executives				
Mr Farhad Nourai	15,700	1 June 2007	2.32	31 March 2014
Mr Tim Threlfall	25,900	1 June 2007	2.32	31 March 2014
Mr Martyn Isbell	14,000	1 June 2007	2.32	31 March 2014
Mr Mark Barraclough	1,700	1 June 2007	2.32	31 March 2014
Mr Frank Johnstone	7,800	1 June 2007	2.32	31 March 2014

No Rights vested or were converted to shares during the year. No rights have been granted since the end of the financial year. The Rights were provided at no cost to the recipients.

All Rights, not yet vested, expire on the earlier of their expiry date or termination of the individual's employment. In addition to the continuing employment condition, the conversion of the Rights to fully paid ordinary shares of the Company is conditional upon the consolidated entity achieving certain performance criteria. Details of the criteria are included in the long-term incentives discussion on page 5. For the rights issued in the current year, the earliest vesting date is 31 March 2010.

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares and rights or options over the shares issued by the companies within the consolidated entity and other related bodies corporate, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	DEXION LIMITED	
Name	Ordinary Shares	Performance Share Rights over Ordinary Shares
Non-Executive Directors		
Graham Spurling	53,548	0
Robert Wright	100,000	0
Kenneth Boundy	51,724	0
Executive Directors		
Brenton Fuller	254,394	0
Peter Farmakis	25,000	73,500
Trefor Clayton	1,255,387	73,000

STATE OF AFFAIRS

During the financial year under review several acquisitions have been made to expand the consolidated entity's operations. Details of the financial effect of these acquisitions are shown in Note 33 to the financial statements.

In the opinion of the Directors there were no other significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

EVENTS SUBSEQUENT TO REPORTING DATE

The consolidated entity has entered into an agreement to acquire 100% of the business of Shanghai Xiao Bao Storage Systems Equipment Co Ltd, for approximately $3,500,000. The due diligence review has been completed, however, the acquisition has been delayed due to delays in finalising all necessary legal contracts and regulatory approvals. The acquisition is expected to be completed in March 2008.

In the interval between the end of the financial period and the date of this report there were no other items, transactions or events of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

To the extent permitted by law the Company indemnifies its Directors, officers and auditors against all liabilities to other persons except where the liability arises out of conduct involving lack of good faith.

In accordance with a policy of insurance provided by the ultimate controlling entity, Directors' and Officers' insurance cover is provided for all directors and officers of the Company. This insurance covers all liabilities of the directors and officers to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liabilities and the amount of the premiums.

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 and Risk Compliance 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 requirement 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 and Risk Compliance Committee to ensure 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 auditor independence as set out in Professional Statement F1 Professional independence, 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 the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	CONSOLIDATED	
	2007 $	**2006** $
Audit services:		
Auditors of the Company		
Audit and review of financial reports (KPMG Australia)	229,450	130,400
Audit and review of financial reports (KPMG Overseas firms)	96,238	68,301
Other auditors		
Audit and review of financial reports (non KPMG firms)	19,640	17,922
	345,328	216,623
Other services		
Taxation compliance services (KPMG Australia)	34,800	27,325
Other services (KPMG Australia)	2,878	3,750
Due diligence services (KPMG related practices)	244,546	102,953
	282,224	134,028

LIKELY DEVELOPMENTS

The consolidated entity will continue to pursue its policy of increasing its profitability and market share of its major business sectors during the next financial year.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years, other than as discussed in the Director's Report, has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to various environmental regulations effective in each of the jurisdictions in which it operates. The Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

As at the date of this report the Board is not aware of any circumstances which would have a material impact on the Company.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's declaration is set out on page 12 and forms part of the Directors' report for the financial year ended 31 December 2007.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:

Mr R Wright
Chairman

Mr P Farmakis
Director

Dated at Kings Park this 25th day of February 2008

INTRODUCTION

The Company is committed to maintaining high standards of corporate governance appropriate to its size and operations to effectively manage risk, improve the Company's performance and enhance corporate responsibility.

The Board of Directors, working with senior management, is responsible to shareholders for the overall management of the Company's business and affairs. The Board's overriding objective is to increase shareholder value within an appropriate framework which protects the rights and interests of company shareholders and ensures the Company and its controlled entities are properly managed.

The Board carries out its responsibilities within a framework of corporate governance policies and practice documents which outline the measures that we have chartered to act ethically, openly, fairly and diligently when promoting the interests of shareholders, employees, clients and broader community interests. The Board and senior management ensure that employees are aware of the requirements for corporate compliance as it applies to their role within the organisation and are involved in ongoing training and development in their duties, rights and responsibilities.

Since listing on the ASX in April 2005, the Company has sought to identify ways to refine its existing governance practices with reference to the ASX Corporate Governance Council's 'Principles of Good Corporate Governance and Best Practice Recommendations'. The Board recognises that corporate governance practices are not static and as the Company's size and structure changes, these practices will evolve and adapt to meet the Company's changing circumstances.

Following the ASX Corporate Governance Council's first revision of its Corporate Governance Principles and Recommendations in August 2007, the Board has commenced a review of its existing corporate governance practices to identify where amendments and enhancements are required to be made. The Board notes that the change in the reporting requirements for the new ASX Corporate Governance Principles and Recommendations will apply from the next financial year (1 January 2008 to 31 December 2008). Accordingly, any changes made to the Company's corporate governance policies and procedures will be disclosed in the next annual report which will be published in 2009.

Initiatives taken by the Company during the year to maintain active compliance with the ASX Corporate Governance Principles and Recommendations include:

- In compliance with Principle 4: the Audit Committee now consists of three non-executive Directors whereas previously, one member of the Audit Committee was an executive Director.
- To enhance compliance with Principle 6.1: The Company has improved the quality and regularity of investor communications by distributing a Shareholder Review newsletter to all shareholders.
- In relation to Principle 8: The Board conducted a self-evaluation of its performance by utilising an externally established methodology.

As the Company continues to develop and establish policies to promote ethical and responsible decision making and recognise and manage risk, efforts are continuing to promote both Corporate Governance practices and internal policies across all of the businesses which Dexion has acquired during the past year.

Further information about the Company's Corporate Governance policies and practices is available at the Investor Centre on the Company's website www.dexion.com.au.

ASX Corporate Governance Council's Best Practice Recommendations	DEXION'S COMPLIANCE
Principle 1: Lay solid foundations for management and oversight	
1.1 Formalise and disclose the functions reserved to the Board and those delegated to management.	1.1: Comply
Principle 2: Structure the Board to add value	
2.1 A majority of the Board should be independent directors.	2.1: Comply
2.2 The chairperson should be an independent director.	2.2: Comply
2.3 The roles of the chairperson and chief executive officer should not be exercised by the same individual.	2.3: Comply
2.4 The Board should establish a Nomination Committee.	2.4: Comply
2.5 Provide information indicated in Guide to reporting on Principle 2 (including certain disclosure on company website)	2.5: Comply
Principle 3: Promote ethical and responsible decision-making	
3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	3.1: Comply
3.1.1 the practices necessary to maintain confidence in the company's integrity	
3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	
3.2 Disclose the policy concerning trading in company securities by directors, officers and employees.	3.2: Comply
3.3 Provide the information indicated in Guide to reporting on Principle 3.	3.3: Comply
Principle 4: Safeguard integrity in financial reporting	
4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	4.1: Comply
4.2 The Board should establish an audit committee.	4.2: Comply
4.3 Structure the audit committee so that it consists of: • only non-executive directors • a majority of independent directors • an independent chairperson, who is not chairperson of the Board • at least three members	4.3: Comply
4.4 The audit committee should have a formal Charter.	4.4: Comply
4.5 Provide the information indicated in Guide to reporting on Principle 4.	4.5: Comply
Principle 5: Make timely and balanced disclosure	
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	5.1: Comply
5.2 Provide the information indicated in Guide to reporting on Principle 5.	5.2: Comply
Principle 6: Respect the rights of shareholders	
6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	6.1: Comply
6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	6.2: Comply
Principle 7: Recognise and manage risk	
7.1 The Board or appropriate Board Committee should establish policies on risk oversight and management.	7.1: Comply
7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:	
7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statement) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.	7.2.1: Comply
7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	7.2.2: Comply
7.3 Provide the information indicated in Guide to reporting on Principle 7.	7.3: Comply
Principle 8: Encourage enhanced performance	
8.1 Disclose the process for performance evaluation of the Board; its committees and individual directors, and key executives.	8.1: Comply
Principle 9: Remunerate fairly and responsibly	
9.1 Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	9.1: Comply
9.2 The Board should establish a remuneration committee.	9.2: Comply
9.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	9.3: Comply
9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	9.4: Comply
9.5 Provide the information indicated in Guide to reporting on Principle 9.	9.5: Comply
Principle 10: Recognise the legitimate interests of stakeholders	
10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	10.1: Comply

AUDITOR'S INDEPENDENCE DECLARATION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the directors of Dexion Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2007 there have been:

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

KPMG

John O'Donnell
Partner
Sydney
25 February 2008

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DEXION LIMITED AND ITS CONTROLLED ENTITIES

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Dexion Limited (the Company), which comprises the balance sheets as at 31 December 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 35 and the directors' declaration set out on pages 14 to 46 of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" of the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' 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, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the consolidated entity, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

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. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' 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 consolidated entity's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Dexion Limited is in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 31 December 2007 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 consolidated entity also complies with International Financial Reporting Standards as disclosed in note 2.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained under the heading "remuneration report" of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures.*

KPMG

KPMG

John O'Donnell
Partner
Sydney
25 February 2008

DIRECTORS' DECLARATION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

In the opinion of the directors of Dexion Limited:

1. (a) The financial statements and notes and the remuneration disclosures that are contained in the Directors' report, set out on pages 1 to 46 are in accordance with the Corporations Act 2001, including:
   - i) giving a true and fair view of the financial position of the Company and consolidated entity as at 31 December 2007 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
   - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

   (b) the remuneration disclosures that are contained in the Directors' report comply with Australian Accounting Standard AASB124 Related Party Disclosures; 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 35 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 by the Managing Director and Finance Director for the financial year ended 31 December 2007.

Signed in accordance with a resolution of the directors:

Mr R Wright
Chairman

Mr P Farmakis
Director

Dated at Kings Park this 25th day of February 2008

INCOME STATEMENTS

DEXION LIMITED AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

		Consolidated		The Company	
	Note	2007 $000's	2006 $000's	2007 $000's	2006 $000's
Revenue from the sale of goods		250,967	187,147	-	-
Other income		514	465	-	-
	6	251,481	187,612	-	-
Cost of goods sold		(205,139)	(154,631)	-	-
Selling and advertising expenses		(16,398)	(12,405)	-	-
Administrative expenses		(12,414)	(7,585)	(16)	(17)
Operating profit before financing (costs) / income		17,530	12,991	(16)	(17)
Financial income		172	134	5,117	3,799
Financial expenses		(3,425)	(814)	(1)	-
Net financing (costs) / income	8	(3,253)	(680)	5,116	3,799
Profit before tax		14,277	12,311	5,100	3,782
Income tax (expense) / benefit	11	(3,717)	(3,510)	23	23
Profit for the period	23	10,560	8,801	5,123	3,805
Attributable to:					
Equity holders of the Company		10,560	8,801	5,123	3,805
		Cents per Share	Cents per Share		
Basic earnings per share from continuing operations	12	16.91	16.18		
Diluted earnings per share from continuing operations	12	16.82	16.16		

The income statements are to be read in conjunction with the accompanying notes.

STATEMENTS OF RECOGNISED INCOME & EXPENSE

DEXION LIMITED AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

		Consolidated		The Company	
	Note	2007 $000's	2006 $000's	2007 $000's	2006 $000's
Foreign exchange translation differences for foreign operations		(263)	104	-	-
Net (expense) / income recognised directly in equity		(263)	104	-	-
Profit for the period		10,560	8,801	5,123	3,805
Total recognised income and expense for the period	23	10,297	8,905	5,123	3,805
Attributable to:					
Equity holders of the Company		10,297	8,905	5,123	3,805

The statements of recognised income and expense are to be read in conjunction with the accompanying notes.

BALANCE SHEETS

DEXION LIMITED AND ITS CONTROLLED ENTITIES
AS AT 31 DECEMBER 2007

		Consolidated		The Company	
	Note	2007 $000's	2006 $000's	2007 $000's	2006 $000's
Current assets					
Cash and cash equivalents	24	2,518	2,866	42	20
Trade and other receivables	13	49,299	35,882	18,964	-
Inventories	14	21,987	14,771	-	-
Income tax receivable		460	-	-	-
Other	15	1,098	1,035	-	-
Total current assets		75,362	54,554	19,006	20
Non-current assets					
Property, plant & equipment	16	25,777	12,844	-	-
Deferred tax assets	18	2,220	2,136	480	450
Intangibles	17	48,101	16,115	-	-
Other	15	-	-	14,838	14,838
Total non-current assets		76,098	31,095	15,318	15,288
Total assets		151,460	85,649	34,324	15,308
Current liabilities					
Loans and borrowings	20	4,150	107	-	-
Trade and other payables	19	40,290	34,697	41	3,588
Income tax payable		68	2,141	43	1,981
Provisions	21	4,877	3,687	-	-
Total current liabilities		49,385	40,632	84	5,569
Non-current liabilities					
Loans and borrowings	20	47,644	22,810	-	-
Trade and other payables	19	239	349	-	-
Provisions	21	906	504	-	-
Deferred tax liability	18	2,257	-	-	-
Total non-current liabilities		51,046	23,663	-	-
Total liabilities		100,431	64,295	84	5,569
Net assets		51,029	21,354	34,240	9,739
Equity					
Issued capital	23	33,830	9,635	33,830	9,635
Reserves	23	84	62	313	28
Retained earnings	23	17,115	11,657	97	76
Total equity		51,029	21,354	34,240	9,739

The balance sheets are to be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

DEXION LIMITED AND ITS CONTROLLED ENTITIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated 2007 $000's	Consolidated 2006 $000's	The Company 2007 $000's	The Company 2006 $000's
Cash flows from operating activities					
Cash receipts in the course of operations		270,996	194,630	7,945	7,276
Cash payments in the course of operations		(250,386)	(188,623)	(16)	(17)
Interest received		172	134	15	15
Income taxes paid		(5,805)	(2,885)	(4,521)	(2,717)
Interest paid		(3,396)	(787)	(1)	-
Net cash provided by operating activities	24 (ii)	11,581	2,469	3,422	4,557
Cash flows from investing activities					
Proceeds on disposal of plant and equipment		109	39	-	-
Acquisition of subsidiaries, net of cash acquired		(26,258)	(11,163)	-	-
Acquisition of business, net of cash acquired		(17,443)	(1,125)	-	-
Acquisition of Intangible - Tradename		(253)	-	-	-
Acquisition of property, plant and equipment and software		(7,714)	(4,163)	-	-
Net cash (used in) / provided by investing activities		(51,559)	(16,412)	-	-
Cash flows from financing activities					
Net proceeds from issue of shares		20,180	-	20,180	-
Dividends paid		(5,102)	(3,784)	(5,102)	(3,784)
Loans to controlled entities		-	-	(18,478)	(761)
Proceeds from borrowings		25,000	16,778	-	-
Repayment of borrowings		(448)	(36)	-	-
Net cash provided by / (used in) financing activities		39,630	12,958	(3,400)	(4,545)
Net (decrease) / increase in cash held		(348)	(985)	22	12
Cash at the beginning of the financial year		2,866	3,851	20	8
Cash at the end of the financial year	24 (i)	2,518	2,866	42	20

The statements of cash flows are to be read in conjunction with the accompanying notes.

1 REPORTING ENTITY

Dexion Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 23 Tattersall Road, Kings Park NSW 2148. The consolidated financial report of the Company for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "consolidated entity").

2 BASIS OF PREPARATION

(a) Statement of compliance

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

The financial report was authorised for issue by the directors on 25 February 2008.

(b) Basis of measurement

The financial report has been prepared on the historical cost basis except for liabilities for cash-settled share based payments arrangements and derivative financial instruments which are measured at fair value.

(c) Use of estimate and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 21 – Provisions
- Note 32 – Share-based payments
- Note 33 – Business combinations

(d) Functional and presentation currency

The financial report is presented in Australian dollars.

The Company is of a kind referred to in ASIC Class Order 05/641 dated 28 July 2005 (updated by CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements. Intragroup balances, transactions, income and expenses are eliminated in preparing the consolidated financial statements.

(b) Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) 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 continued management involvement with the goods, and the amount of revenue can be measured reliably. As soon as the outcome of construction contracts can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

Consulting fees

Revenue from consulting is recognised as the service is performed.

Royalty income

The Company licences its registered trademarks and other intellectual property and receives royalty income pursuant to the licence agreements. The amount of the royalty income can be reliably measured and revenue is recognised on an accrual basis in accordance with the substance of the underlying licence agreement.

Franchise fees

The Company obtains franchise fees upon the granting of a franchise providing rights to use the Company's trademarks and distribute the Company's products. The revenue is recognised at the time the franchise is granted.

Sale of non-current assets

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(c) Foreign currency

Foreign currency transactions

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

Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at the rates of exchange ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are taken directly in a separate component of equity (the foreign currency translation reserve) until the disposal, or partial disposal of the operations.

The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of, or partially disposed of, is transferred to the income statement as part of the gain or loss on disposal.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(d) Taxation

Income tax

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

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 12 August 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Dexion Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the group allocation approach.

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

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

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

Nature of tax funding arrangements and tax sharing arrangements

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

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

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

(e) Property, plant and equipment

Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing that asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the consolidated entity and its cost can be measured reliably.

The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation and amortisation

Depreciation is charged to the income statement on a straight line basis and a diminishing value basis over the estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Assets are depreciated from the date they are ready for use. Depreciation rates are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation charges are expensed. The useful lives used in determining the depreciation charge against plant and equipment range from 3 to 15 years.

Leased plant and equipment

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

Other leases are classified as operating leases.

Capital works in progress

Items of property, plant and equipment acquired but which are not ready for use are recorded as capital work in progress. These assets are not depreciated until such time as they are ready for use and are transferred to property, plant and equipment.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(f) Trade and other receivables

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

(g) Employee benefits

Wages, salaries and annual leave

The provisions for employee entitlements to wages, salaries and annual leave represents the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at discounted amounts based on expected wage and salary rates and includes related on-costs. The carrying amount of the provisions approximate net fair value.

Long service leave

The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the Company's experience with staff departures. Related on-costs have also been included in the liability. The carrying amount of the provision approximates net fair value by discounting the expected outflows to the present value.

Superannuation plan

The Company and its controlled entities contribute to defined contribution plans. Contributions are recognised as an expense in the income statement as incurred.

Share-based payment transactions

The grant date value of options granted to employees is recognised as an employee expense with a corresponding increase in equity, over the period in which employees become conditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The Employee Share Acquisition Plan implemented in the prior year allows consolidated entity employees to acquire shares of the Company up to a value of $1,000 per year for nil consideration. The market value at the date of granting is recognised as an employee expense with a corresponding increase in equity. The market value is the volume weighted average price on the Australian Stock Exchange in the five days immediately prior to the day the shares are acquired.

Under the Executive Performance Award Plan, Performance Share Rights are granted to certain executive staff of the consolidated entity. Details of the Plan's performance criteria are given in the Directors' Report. The fair value is initially measured at grant date and spread over the period during which the executives become unconditionally entitled to payment. The fair value of the Performance Share Rights is measured based on the binomial option-pricing model. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in the profit or loss.

(h) Impairment

Financial assets

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 current 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 loss 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 loss 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.

Non-financial assets

The carrying amounts of the consolidated entity's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated 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 current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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 indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Investments

Controlled entities

Investments in controlled entities are carried at cost in the Company's financial statements.

(j) Payables

Trade and other payables are stated at amortised cost.

(k) Goods and services tax

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(l) Provisions
A provision is recognised when there is a present legal, equitable or constructive obligation that can be estimated reliably as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is treated as part of the finance cost related to the particular provision.

Warranties
Provisions for warranty claims are made for claims received and claims expected to be received in relation to sales made prior to reporting date, based on historical claim rates.

(m) Financing income and expenses
Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Finance income comprises interest income on funds invested and dividend income. Interest is recognised as it accrues in profit or loss using the effective interest method. Dividend income is recognised in profit or loss at the date the consolidated entity's right to receive payment is established.

(n) Inventories
Raw materials and stores, work in progress and finished goods are carried at the lower of cost allocated and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of inventories is based on the first-in first-out principle and includes direct materials, direct labour, other direct variable costs and allocated production overheads necessary to bring inventories to their present location and condition, based on normal operating capacity of the production facilities.

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

(p) Financial instruments
Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the consolidated entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the consolidated entity's obligations specified in the contract expire or are discharged or cancelled.

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

Accounting for finance expenses is discussed at note 3(m).

Derivative financial instruments
The consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational, financing and investment activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(q) Intangible assets
Goodwill
Business combinations since 1 January 2003
All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see note 3(h)).

Negative goodwill arising on an acquisition is recognised directly in the income statement.

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

Research and development
Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, development costs can be measured reliably, future economic benefits are probable and the consolidated entity has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(r) Share capital
Transaction costs
Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(s) Segment reporting

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

(t) Operating lease payments

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

(u) Earnings per share

The consolidated entity 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 Performance Share Rights granted to employees.

(v) New standards and interpretations not yet adopted

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

AASB No.	Title	Operative Date
8	Operating Segments	1 January 2009
101	Presentation of Financial Statements	1 January 2009
123	Borrowing Costs	1 January 2009

The potential effects of these standards, and the amendments and interpretations, on the financial report have not yet been determined.

4 DETERMINATION OF FAIR VALUES

A number of the consolidated entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for the measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Intangible assets

The fair value of tradenames and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the tradename or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Inventories

The fair value of the inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables

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

Share-based payment transactions

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

5 FINANCIAL RISK MANAGEMENT

Overview

The consolidated entity has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities. The consolidated entity, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit & Risk Compliance Committee oversees how management monitors compliance with the consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity.

5 FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk
Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet the contractual obligations, and arises principally from the receivables from customers. For the Company it arises from receivables due from subsidiaries.

Trade and other receivables
The Company's and consolidated entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Geographically there is no concentration of credit risk.

The Company and its subsidiaries have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables.

Liquidity risk
Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

Market risk
(a) Interest risk
The consolidated entity's exposure to interest rate risk arises from its debt obligations which are denominated in the functional currency of its operating businesses. The majority of debt is floating rate which is reset for periods up to six months and maturities are spread. Fixed interest rates apply to approximately 5% of balance sheet debt and fixed interest underlie the rentals on all capital equipment obligations. Overall the interest rate risk exposure is managed by maintaining a level of debt which can be comfortably serviced from cash flow through the economic and monetary cycles.

(b) Currency risk
The consolidated entity is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currencies of the subsidiaries.

The subsidiaries use forward exchange contracts to hedge any currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Interest on borrowings is denominated in currencies that match the cash flows generated by underlying operations of the entities, primarily AUD and NZD. This provides an economic hedge and no derivatives are entered into.

	Consolidated		The Company	
	2007 $000's	2006 $000's	2007 $000's	2006 $000's
6 REVENUE				
Revenue from sale of goods	250,967	187,147	-	-
Other income				
Consulting fees	321	-	-	-
Royalty, commission and agency revenue	-	274	-	-
Franchise fees	5	60	-	-
Sundry income	188	131	-	-
Total other income	514	465	-	-
Total revenue	251,481	187,612	-	-
7 EXPENSES				
Depreciation and amortisation of:				
Plant and equipment	3,064	1,682	-	-
Intangible Assets	620	-	-	-
Software and IP	978	340	-	-
Net expense from movements in provision for:				
Stock obsolescence	114	120	-	-
Doubtful debts	(85)	(131)	-	-
Operating lease rental expense	6,541	3,709	-	-
Net loss on sale of plant and equipment	81	32	-	-

	Consolidated		The Company	
	2007 $000's	2006 $000's	2007 $000's	2006 $000's
8 NET FINANCING COSTS				
Interest income	172	134	15	15
Dividend income	-	-	5,102	3,784
Financial income	172	134	5,117	3,799
Interest expense	(3,396)	(787)	(1)	-
Net foreign exchange loss	(29)	(27)	-	-
Financial expenses	(3,425)	(814)	(1)	-
Net financing (costs) / income	(3,253)	(680)	5,116	3,799

	2007 $	2006 $	2007 $	2006 $
9 AUDITORS' REMUNERATION				
Audit services:				
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	229,450	130,400	-	-
Overseas KPMG firms				
Audit and review of financial reports	96,238	68,301	-	-
Other auditors				
Audit and review of financial reports	19,640	17,922	-	-
	345,328	216,623	-	-
Other services				
Auditors of the Company				
KPMG Australia:				
Taxation services	34,800	27,325	-	-
Other services	2,878	3,750	-	-
	37,678	31,075	-	-
KPMG Related practices				
Due diligence services relating to acquisitions	244,546	102,953	-	-

	2007 $000's	2006 $000's	2007 $000's	2006 $000's
10 PERSONNEL EXPENSES				
Wages and salaries	31,520	22,910	-	-
Other associated personnel expenses	3,335	2,645	-	-
Compulsory social security contributions	23	213	-	-
Contributions to defined contribution plans	2,009	1,396	-	-
Increase in liability for annual leave	1,917	1,241	-	-
Increase in liability for long-service leave	523	346	-	-
Equity-settled transactions	284	134	-	-
	39,611	28,885	-	-

	Consolidated		The Company	
	2007 $000's	2006 $000's	2007 $000's	2006 $000's
11 INCOME TAX EXPENSE				
Recognised in the income statement				
Current tax expense				
Current Year	3,627	3,616	(23)	(23)
Adjustments for prior years	(113)	(14)	-	-
	3,514	3,602	(23)	(23)
Deferred tax expense				
Adjustments for prior years	90	(7)	-	-
Origination and reversal of temporary differences	113	(85)	-	-
Total income tax expense in income statement	3,717	3,510	(23)	(23)
Income tax expense / (benefit) attributable to:				
Continuing operations	3,717	3,510	(23)	(23)
Numerical reconciliation between tax expense and pre-tax profit				
Profit before tax	14,277	12,311	5,100	3,782
Income tax using the domestic corporation tax rate of 30% (2006: 30%)	4,283	3,693	1,530	1,135
Effect of tax rate in foreign jurisdictions	(12)	(38)	-	-
Increase in income tax expense due to:				
Non-deductible expenses	145	66	-	-
Decrease in income tax expense due to:				
Capitalised borrowing costs	(22)	(22)	(22)	(22)
Research & development concession	(450)	(83)	-	-
Reinvestment concessions	(132)	-	-	-
Intragroup dividend adjustment	-	-	(1,531)	(1,136)
Recovery of tax losses not previously brought to account	(72)	(85)	-	-
	3,740	3,531	(23)	(23)
Adjustment to prior years' deferred balances	(23)	(21)	-	-
Income tax expense on pre-tax profit	3,717	3,510	(23)	(23)
Deferred tax recognised directly in equity:				
Relating to transaction costs associated with capital raising	226	599	226	599

12 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2007 was based on the profit attributable to ordinary shareholders of $10,560,000 (2006: $8,801,000) and a weighted average number of ordinary shares outstanding of 62,456,257 (2006: 54,377,484), calculated as follows:

	2007	2006
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	56,040,690	54,057,376
Effect of shares issued on 1 November 2006	-	317,957
Effect of shares issued on 15 December 2006	-	2,151
Effect of shares issued 20 March 2007	4,843,768	-
Effect of shares issued 20 April 2007	722,484	-
Effect of shares issued 27 April 2007	849,315	-
	62,456,257	54,377,484

12 EARNINGS PER SHARE CONTINUED

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2007 was based on the profit attributable to ordinary shareholders of $10,560,000 (2006: $8,801,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of dilutive potential shares of 62,774,663 (2006: 54,443,656), calculated as follows:

	2007	2006
Weighted average number of ordinary shares (diluted):		
Weighted average number of shares (basic)	62,456,257	54,377,484
Effect of Performance Share Rights granted	318,406	66,172
	62,774,663	54,443,656

	Consolidated		The Company	
	2007 $000's	2006 $000's	2007 $000's	2006 $000's
13 TRADE AND OTHER RECEIVABLES				
Current				
Trade debtors	44,135	27,869	-	-
Owing from related entities	-	-	18,964	-
Amounts due from customers under construction contracts	4,055	6,969	-	-
	48,190	34,838	18,964	-
Other receivables	1,109	1,044	-	-
	49,299	35,882	18,964	-

The consolidated entity's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in Note 28.

	Consolidated		The Company	
	2007 $000's	2006 $000's	2007 $000's	2006 $000's
14 INVENTORIES				
At cost				
Raw materials	9,633	4,296	-	-
Work in progress	1,942	3,598	-	-
Finished goods	11,025	7,376	-	-
Less: Provision for obsolescence	(613)	(499)	-	-
Carrying amount of inventories	21,987	14,771	-	-
15 OTHER ASSETS				
Current				
Prepayments	1,098	1,035	-	-
Non-current				
At cost:				
Investment in Dexion Australia Pty Ltd	-	-	14,838	14,838
16 PROPERTY, PLANT AND EQUIPMENT				
Plant and equipment				
At cost	41,768	16,004	-	-
Accumulated depreciation	(17,885)	(3,843)	-	-
	23,883	12,161	-	-
Capital works in progress				
At cost	1,894	683	-	-
Total plant and equipment net book value	25,777	12,844	-	-

	Consolidated 2007 $000's	Consolidated 2006 $000's	The Company 2007 $000's	The Company 2006 $000's
16 PROPERTY, PLANT AND EQUIPMENT CONTINUED				
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Plant and equipment				
Carrying amount at beginning of year	12,161	8,014	-	-
Acquisitions through business combinations	8,140	2,380	-	-
Transfer from capital works in progress	6,713	3,276	-	-
Dismantling assets recognised	102	41	-	-
Initial recognition of finance leases	-	106	-	-
NZ IFRS adjustments	184	-	-	-
Disposals	(190)	(72)	-	-
Depreciation	(3,064)	(1,682)	-	-
Effect of movements in exchange rates	(163)	98	-	-
Carrying amount at end of year	23,883	12,161	-	-
Capital works in progress				
Carrying amount at beginning of year	683	167	-	-
Additions	7,293	4,163	-	-
Acquisitions through business combinations	920	-	-	-
Transfers to property, plant and equipment	(6,713)	(3,276)	-	-
Transfers to Intangibles - software	(289)	(371)	-	-
Carrying amount at end of year	1,894	683	-	-

	Note	Consolidated Goodwill $000's	Consolidated Trade Names $000's	Consolidated Customer related $000's	Consolidated Software $000's	Consolidated Total $000's	The Company Total $000's
17 INTANGIBLES							
Cost							
Balance at 1 January 2006		-	-	-	1,041	1,041	-
Acquisitions		-	-	-	371	371	-
Acquisitions through business combinations	33	15,489	-	-	19	15,508	-
Balance at 31 December 2006		15,489	-	-	1,431	16,920	-
Balance at 1 January 2007		15,489	-	-	1,431	16,920	-
Acquisitions		-	253	-	710	963	-
Allocation of purchase price of prior period acquisitions		(5,497)	-	1,752	3,745	-	-
Other Fair Value adjustments for prior period acquisitions		721	-	-	-	721	-
Acquisitions through business combinations	33	25,513	3,540	2,920	67	32,040	-
Effect of movement in foreign exchange rates		(143)	-	-	3	(140)	-
Balance at 31 December 2007		36,083	3,793	4,672	5,956	50,504	-

		Consolidated					The Company
	Note	Goodwill $000's	Trade Names $000's	Customer related $000's	Software $000's	Total $000's	Total $000's
17 INTANGIBLES CONTINUED							
Amortisation and impairment losses							
Balance at 1 January 2006		-	-	-	465	465	-
Amortisation of software		-	-	-	340	340	-
Balance at 31 December 2006		-	-	-	805	805	-
Balance at 1 January 2007		-	-	-	805	805	-
Amortisation of software		-	-	-	432	432	-
Amortisation of the Identified Intangible Assets		-	-	620	546	1,166	-
Balance at 31 December 2007		-	-	620	1,783	2,403	-
Carrying amounts							
At 31 December 2006		15,489	-	-	626	16,115	-
At 31 December 2007		36,083	3,793	4,052	4,173	48,101	-

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

	Consolidated		The Company	
	2007 $000's	2006 $000's	2007 $000's	2006 $000's
Administrative expenses				
Identified Intangible Assets	1,166	-	-	-
Other software	432	340	-	-
	1,598	340	-	-

Impairment tests for cash generating units containing goodwill
The following units have significant carrying amounts of goodwill:

Australia				
Commercial Solutions	10,452	996	-	-
Industrial Solutions	4,314	9,188	-	-
New Zealand				
Industrial Solutions	14,407	5,305	-	-
Commercial Solutions	6,910	-	-	-
Total goodwill	36,083	15,489	-	-

The recoverable amount for each cash-generating unit is based on value in use calculations. Those calculations use cash flow projections based on actual operating results and the five-year business plan and a terminating value based on current market conditions for each Unit.

A pre-tax discount rate of 11.1% has been used in discounting the projected cashflows.

On the basis of these calculations there has not been an impairment of the goodwill in the current period.

18 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
	2007 $000's	2006 $000's	2007 $000's	2006 $000's	2007 $000's	2006 $000's
Property, plant and equipment	-	-	275	217	275	217
Identified Intangible assets	-	-	2,257	-	2,257	-
Employee benefits	(1,443)	(1,174)	-	-	(1,443)	(1,174)
Accruals	(124)	(41)	-	-	(124)	(41)
Provisions	(484)	(718)	-	-	(484)	(718)
Other items	(515)	(450)	71	30	(444)	(420)
	(2,566)	(2,383)	2,603	247	37	(2,136)
Set off of tax	346	247	(346)	(247)	-	-
Tax (assets)/liabilities	(2,220)	(2,136)	2,257	-	37	(2,136)
The Company						
Other items	(480)	(450)	-	-	(480)	(450)
Tax (assets)/liabilities	(480)	(450)	-	-	(480)	(450)

At 31 December 2007, a deferred tax liability relating to investments in subsidiaries has not been recognised because the company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following:

	Consolidated		The Company	
	2007 $000's	2006 $000's	2007 $000's	2006 $000's
Tax losses	-	47	-	-

A deferred tax asset has been recognised in respect of tax losses because it is probable that future taxable profit will be available against which the consolidated entity can utilise the benefits.

	Consolidated		The Company	
	2007 $000's	2006 $000's	2007 $000's	2006 $000's
The gross amount of revenue tax losses carried forward that have not been recognised are as follows:				
Tax jurisdiction				
Hong Kong	-	270	-	-

Movement in temporary differences during the year
Consolidated

	Balance 1 Jan 06 $000's	Recognised in profit $000's	Recognised in Equity $000's	Acquired in business combination $000's	Balance 31 Dec 06 $000's	Recognised in profit $000's	Recognised in Equity $000's	Acquired in business combination $000's	Balance 31 Dec 07 $000's
Property, plant and equipment	109	108	-	-	217	58	-	-	275
Identified Intangible assets	-	-	-	-	-	(207)	-	2,464	2,257
Employee benefits	(898)	(77)	-	(199)	(1,174)	(76)	-	(193)	(1,443)
Accruals	(37)	6	-	(10)	(41)	(73)	-	(10)	(124)
Provisions	(368)	(308)	-	(42)	(718)	258	-	(24)	(484)
Other items	-	179	(599)	-	(420)	243	(226)	(41)	(444)
	(1,194)	(92)	(599)	(251)	(2,136)	203	(226)	2,196	37

	Consolidated 2007 $000's	Consolidated 2006 $000's	The Company 2007 $000's	The Company 2006 $000's
19 TRADE AND OTHER PAYABLES				
Current				
Trade creditors	28,430	17,652	-	-
Amounts owing to related entity	-	-	-	3,588
Other creditors and accruals	5,742	5,562	41	-
Deferred income - lease incentive	110	110	-	-
Progress payments received in advance from customers under construction contracts	6,008	11,373	-	-
	40,290	34,697	41	3,588
Non-current				
Deferred income - lease incentive	239	349	-	-

The consolidated entity's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 28.

The Company has entered into a Deed of Cross Guarantee with certain subsidiaries as described in Note 35. Under the terms of the Deed, the Company has guaranteed the repayment of all current and future creditors in the event any of the entities party to the Deed are wound up. Details of the financial position of the Company and subsidiaries party to the Deed are set out in Note 35.

	Consolidated 2007 $000's	Consolidated 2006 $000's	The Company 2007 $000's	The Company 2006 $000's
20 LOANS AND BORROWINGS				
Current				
Bank bills - secured	2,000	-	-	-
Bank loans - secured	1,551	-	-	-
Finance lease liabilities	599	107	-	-
	4,150	107	-	-
Non-current				
Bank bills - secured	45,282	13,500	-	-
Bank loans - secured	1,567	9,217	-	-
Finance lease liabilities	795	93	-	-
	47,644	22,810	-	-
Financing arrangements				
The consolidated entity has access to the following lines of credit:				
Total facilities available:				
- Bank bills	55,245	14,000	-	-
- Bank overdraft	4,657	4,306	-	-
- Bank guarantees	11,560	4,510	-	-
- Documentary letters of credit	350	1,350	-	-
- Bank loans secured by guarantee	2,068	7,239	-	-
- Bank loans secured by letters of credit	2,855	2,223	-	-
	76,735	33,628	-	-
Facilities utilised at reporting date:				
- Bank bills	47,282	13,500	-	-
- Bank overdraft	-	-	-	-
- Bank guarantees	10,300	3,194	-	-
- Documentary letters of credit	-	1,304	-	-
- Bank loans secured by guarantee	1,567	7,239	-	-
- Bank loans secured by letters of credit	1,551	1,978	-	-
	60,700	27,215	-	-

	Consolidated		The Company	
	2007 $000's	2006 $000's	2007 $000's	2006 $000's
20 LOANS AND BORROWINGS CONTINUED				
Facilities not utilised at reporting date:				
- Bank bills	7,963	500	-	-
- Bank overdraft	4,657	4,306	-	-
- Bank guarantees	1,260	1,316	-	-
- Documentary letters of credit	350	46	-	-
- Bank loans secured by guarantee	501	-	-	-
- Bank loans secured by letters of credit	1,304	245	-	-
Total facilities not utilised at reporting date	16,035	6,413	-	-

The bank facilities are secured by a fixed and floating charge over the assets and an undertaking of Dexion Limited and its Australian subsidiaries. The bank loans and bills in Malaysia of $3,118,128 (2006: $1,978,919) are secured by an irrevocable letter of credit in the amount of $3,200,000 (2006: $2,885,544) issued by the National Australia Bank.

	Currency	Nominal Interest rate	Carrying Amount $000's	Year of Maturity
Terms and debt repayment schedule				
Facilities comprised of:				
Bank bills	AUD	7.96%	17,900	2010
Bank bills	AUD	7.56%	2,000	2008
Bank bills	NZD	9.40%	27,382	2010
Bank loan - secured by LC	MYR	4.20%	1,551	2008
Bank loan - secured	MYR	4.20%	1,567	2012
Hire Purchase loan	AUD	7.45%	1,173	2009
Finance lease liabilities	MYR	4.34%	67	2009
Hire Purchase loans	NZD	9.75%	154	2010
			51,794	

	Consolidated		The Company	
	2007 $000's	2006 $000's	2007 $000's	2006 $000's
21 PROVISIONS				
Current				
Employee entitlements	4,877	3,687	-	-
Non-current				
Employee entitlements	517	247	-	-
Make good costs	82	52	-	-
Dismantling assets	307	205	-	-
	906	504	-	-

Reconciliations

Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:

	Consolidated	The Company
	2007 $000's	2007 $000's
Make good costs		
Balance at 1 January 2007	52	-
Provisions made during the year	30	-
Carrying amount at end of year	82	-
Dismantling assets		
Balance at 1 January 2007	205	-
Provisions made during the year	102	-
Carrying amount at end of year	307	-

	Consolidated 2007 $000's	Consolidated 2006 $000's	The Company 2007 $000's	The Company 2006 $000's
22 COMMITMENTS				
Non-cancellable operating lease expense commitments				
Future operating lease commitments not provided for in the financial statements and payable:				
- Within one year	7,195	5,011	-	-
- One year or later and no later than five years	20,246	15,293	-	-
- Later than five years	10,661	10,738	-	-
	38,102	31,042	-	-

The consolidated entity leases a number of offices, warehouse and factory facilities under operating leases. The leases typically run for a period of 5 to 10 years with options to renew after that date. Lease payments are increased annually based on changes in the local price index and to reflect market rentals.

	Consolidated 2007 $000's	Consolidated 2006 $000's	The Company 2007 $000's	The Company 2006 $000's
Capital expenditure commitments				
Plant and equipment				
- Within one year	269	1,123	-	-

23 CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

	Share capital $000's	Options reserve $000's	Translation reserve $000's	Retained earnings $000's	Total equity $000's
Consolidated					
Balance as at 1 January 2006	5,930	-	(70)	6,640	12,500
Total recognised income and expense	-	-	104	8,801	8,905
Tax effect of share issue costs	599	-	-	-	599
Dividends to shareholders	-	-	-	(3,784)	(3,784)
Performance Share Rights issued	-	28	-	-	28
Shares issued	3,106	-	-	-	3,106
Balance as at 31 December 2006	9,635	28	34	11,657	21,354
Balance as at 1 January 2007	9,635	28	34	11,657	21,354
Total recognised income and expense	-	-	(263)	10,560	10,297
Issue of ordinary shares	24,723	-	-	-	24,723
Share issue costs (net of tax)	(528)	-	-	-	(528)
Dividends to shareholders	-	-	-	(5,102)	(5,102)
Performance Share Rights issued	-	285	-	-	285
Balance as at 31 December 2007	33,830	313	(229)	17,115	51,029
The Company					
Balance as at 1 January 2006	5,930	-	-	55	5,985
Total recognised income and expense	-	-	-	3,805	3,805
Tax effect of share issue costs	599	-	-	-	599
Dividends to shareholders	-	-	-	(3,784)	(3,784)
Performance Share Rights issued	-	28	-	-	28
Shares issued	3,106	-	-	-	3,106
Balance as at 31 December 2006	9,635	28	-	76	9,739
Balance as at 1 January 2007	9,635	28	-	76	9,739
Total recognised income and expense	-	-	-	5,123	5,123
Issue of ordinary shares	24,723	-	-	-	24,723
Share issue costs (net of tax)	(528)	-	-	-	(528)
Dividends to shareholders	-	-	-	(5,102)	(5,102)
Performance Share Rights issued	-	285	-	-	285
Balance as at 31 December 2007	33,830	313	-	97	34,240

23 CAPITAL AND RESERVES CONTINUED

Share capital

	The Company	
	2007 No. of shares	2006 No. of shares
On issue at 1 January	56,040,690	54,057,376
Issued during the year	8,465,876	1,983,314
On issue at 31 December - fully paid	64,506,566	56,040,690

Ordinary shares
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of self-sustaining foreign operations where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign operation.

Options reserve
The options reserve comprises the cumulative expense relating to the fair value of the options on issue to key management personnel and senior employees.

Dividends
Dividends recognised in the current year by the Company are:

	Cents per share	Total amount $000's	Franked / unfranked	Date of payment
Final 2006	4.5	2,522	Franked	21 March 2007
Interim 2007	4.0	2,580	Franked	21 September 2007
Total amount		5,102		
After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.				
Final 2007	5.0	3,225	Franked	20 March 2008

The financial effect of these dividends have not been brought to account in the financial statements for the year ended 31 December 2007 and will be recognised in subsequent financial reports.

Dividend franking account

	The Company	
	2007 $000's	2006 $000's
30% franking credits available to shareholders of Dexion Limited for subsequent financial years	5,667	3,502

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

a) franking credits that will arise from the payment of the current tax liability.
b) franking debits that will arise from the payments of dividends recognised as a liability at the year-end.
c) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

In accordance with the tax consolidation legislation, the Company, as the head entity in the tax consolidated group, has assumed the benefit of $5,666,938 (2006: $3,501,645) franking credits.

24 NOTES TO THE STATEMENTS OF CASH FLOWS

(i) Reconciliation of cash and cash equivalents

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated		The Company	
	2007 $000's	2006 $000's	2007 $000's	2006 $000's
Cash and cash equivalents	2,518	2,866	42	20

	2007 $000's	2006 $000's	2007 $000's	2006 $000's
(ii) Reconciliation of operating profit after income tax to net cash provided by / (used in) operating activities				
Operating profit after income tax	10,560	8,801	5,123	3,805
Add (less) items classified as investing / financing activities:				
Loss on sale of non-current assets	81	32	-	-
Non-cash items:				
Depreciation	3,496	1,682	-	-
Amortisation	1,166	340	-	-
Share-based payments	284	134	-	-
Unrealised foreign exchange (gain) / loss	(283)	(129)	-	-
NZ IFRS restatements	(184)	-	-	-
(Decrease) / increase in income tax payable	(2,934)	717	(1,938)	579
Decrease / (increase) in deferred tax balances	184	(690)	(30)	(450)
Tax effect on share issue costs	226	599	226	599
(Decrease) / increase in provisions	(103)	243	-	-
Change in assets and liabilities adjusted for effects of the acquisition of controlled entities during the financial year				
(Increase) / decrease in receivables	(48)	(9,183)	-	-
Decrease / (increase) in inventory	1,217	(2,137)	-	-
(Increase) / decrease in other debtors	(63)	(94)	-	-
(Decrease) / increase in creditors and other accruals	(2,018)	2,154	41	24
Net cash provided by operating activities	11,581	2,469	3,422	4,557

25 SEGMENT REPORTING

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format, geographical segments, is based on the consolidated entity'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.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Geographical segments represent the primary segment

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The consolidated entity's business segments operate geographically as follows:

- Australia and New Zealand - manufacturing facilities, sales offices in certain states and distributors
- Asia - Malaysia - manufacturing facility, sales office and distributors
  - Hong Kong - sales office

Application of storage products represent the secondary segment

Information presented on the basis of the storage application as split between Industrial Solutions customers and Commercial Solutions customers.

Carrying amounts for segment assets and liabilities have not been disclosed for secondary segments as they cannot be reliably allocated between Industrial Solutions and Commercial Solutions.

25 SEGMENT REPORTING CONTINUED

Primary Reporting - Geographical segments

	Australia/New Zealand		Asia		Eliminations		Consolidated	
	2007 $000's	2006 $000's	2007 $000's	2006 $000's	2007 $000's	2006 $000's	2007 $000's	2006 $000's
Revenue								
External segment revenue	219,126	160,213	31,841	26,934	-	-	250,967	187,147
Inter-segment revenue	405	2,610	125	1,693	(530)	(4,303)	-	-
Total segment revenue	219,531	162,823	31,966	28,627	(530)	(4,303)	250,967	187,147
Unallocated revenue	512	463	2	2	-	-	514	465
Total Revenue	220,043	163,286	31,968	28,629	(530)	(4,303)	251,481	187,612
Result								
Profit before income tax	13,213	10,831	1,064	1,480	-	-	14,277	12,311
Income tax expense	3,692	3,235	25	275	-	-	3,717	3,510
Profit after income tax	9,521	7,596	1,039	1,205	-	-	10,560	8,801
Depreciation and amortisation	4,298	1,744	364	278	-	-	4,662	2,022
Assets								
Segment assets	136,986	71,116	14,474	14,533	-	-	151,460	85,649
Liabilities								
Segment liabilities	89,628	53,440	10,803	10,855	-	-	100,431	64,295
Secondary revenue - Storage application								
Segment revenue								
Industrial Solutions	165,369	141,019	28,956	24,157			194,325	165,176
Commercial Solutions	53,757	19,194	2,885	2,777			56,642	21,971
	219,126	160,213	31,841	26,934			250,967	187,147

26 RELATED PARTIES

Parent entity

The parent entity of the economic entity is Dexion Limited.

Entities subject to common control

During the year there were no goods purchased or sold by the Company from / to other Companies within the group.

The aggregate amounts receivable and payable from entities subject to common control at balance date are as follows:

	The Company	
	2007 $000's	2006 $000's
Amounts owing from/ (to) related parties (non-interest bearing and at call)	18,964	(3,588)

27 KEY MANAGEMENT PERSONNEL DISCLOSURES

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

Non-executive directors:

Mr R Wright (Chairman)
Mr G Spurling
Mr K Boundy

Executive directors:

Mr B Fuller (Managing Director, retired 16 March 2007)
Mr P Farmakis (Managing Director, appointed 21 March 2007)
Mr T Clayton (Finance Director)

Executives:

Mr F Nourai (Executive General Manager, Dexion Integrated Systems)
Mr M Isbell (Executive General Manager, International)
Mr F Johnstone (Managing Director, South East Asia)
Mr T Threlfall (Executive General Manager, Commercial Solutions)
Mr M Barraclough (Executive General Manager, Industrial Solutions)

27 KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

The key management personnel compensation included in 'personnel expenses' (see note 10) are as follows:

	Consolidated		The Company	
	2007 $	2006 $	2007 $	2006 $
Short-term employee benefits	1,916,221	1,891,998	-	-
Post-employment benefits	252,010	71,073	-	-
Retirement benefits	419,154	454,000	-	-
Equity compensation benefits	171,844	9,326	-	-
	2,759,229	2,426,397	-	-

Individual directors and executives compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instrument disclosures as permitted by the Corporations Regulations is provided in the Remuneration report section of the Directors' Report on pages 4 to 8.

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

Options and rights over equity instruments granted as compensation

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

	Held at 1 January 2007	Granted as compensation	Held at 31 December 2007
Directors			
Mr R Wright	-	-	-
Mr G Spurling	-	-	-
Mr K Boundy	-	-	-
Mr B Fuller	-	-	-
Mr P Farmakis	-	73,500	73,500
Mr T Clayton	45,000	28,000	73,000
Executives			
Mr F Nourai	-	15,700	15,700
Mr M Isbell	35,000	14,000	49,000
Mr F Johnstone	35,000	7,800	42,800
Mr T Threlfall	-	25,900	25,900
Mr M Barraclough	7,500	1,700	9,200

No rights held by key management personnel vested during the year.

Movements in shares

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

	Held at 1 January 2007	Purchases	Sales	Held at 31 December 2007
Directors				
Mr R Wright	20,000	80,000	-	100,000
Mr G Spurling	30,000	23,548	-	53,548
Mr K Boundy	50,000	1,724	-	51,724
Mr B Fuller	1,504,394	-	1,250,000	254,394
Mr P Farmakis	-	25,000	-	25,000
Mr T Clayton	1,253,663	1,724	-	1,255,387
Executives				
Mr F Nourai	986,460	151,724	-	1,138,184
Mr M Isbell	10,000	-	8,223	1,777
Mr F Johnstone	15,000	-	-	15,000
Mr T Threlfall	-	1,300,000	-	1,300,000
Mr M Barraclough	255,588	10,000	105,588	160,000

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

27 KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

Notes:

1. Mr Wright's securities are indirectly held by R&C Wright Super P/L Fund.
2. Mr Spurling's securities are indirectly held by Fairfield Developments Pty Ltd S/Fund a/c.
3. Mr Boundy's securities are indirectly held by Rhubarb Harvest Superannuation Fund.
4. Mr Fuller's securities are indirectly held by BS Fuller Pty Limited as trustee for BS Fuller Superannuation Fund.
5. Mr Clayton's securities are held by the Carthona Superannuation Fund.
6. Mr Nourai's securities are held by MCM Asia Pacific Pty Ltd, an associated company.
7. Mr Isbell's securities are indirectly held.
8. Mr Johnstone's securities are held jointly.
9. Mr Threlfall received 1,250,000 shares in consideration of Elite Built Pty Limited (refer Note 33).
10. 50,000 of Mr Threlfall's shares are held jointly.
11. Mr Barraclough's securities are indirectly held by Barraclough Superannuation Fund.

28 FINANCIAL INSTRUMENTS

(i) Credit risk

Exposure to credit risk

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

	Note	Carrying amount 2007 $000s	Carrying amount 2006 $000s
Trade and other receivables	13	49,299	35,882
Cash and cash equivalents		2,518	2,866
		51,817	38,748
The consolidated entity's maximum exposure to credit risk for trade receivables at reporting date by geographic regions was:			
Australia		30,567	19,499
Asia		5,698	5,464
New Zealand		7,870	2,906
	13	44,135	27,869

Impairment losses

The Company's receivable, owed by a subsidiary, is not past due (2006: nil).
The aging of the consolidated entity's trade receivables at the reporting date was:

	Gross 2007 $000s	Impairment 2007 $000s	Gross 2006 $000s	Impairment 2006 $000s
Not past due	24,282	-	12,567	-
Past due 0-30 days	11,729	-	12,201	-
Past due 31-90 days	5,698	-	2,206	-
More than 90 days	2,586	160	1,140	245
	44,295	160	28,114	245

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

	2007 $000s	2006 $000s
Balance at 1 January	245	661
Impairment loss recognised	83	6
Acquired as part of business combination	-	37
Provision no longer required	(168)	(137)
Debts written off against provision	-	(322)
Balance at 31 December	160	245

The trade receivable balances are reviewed monthly and an allowance is raised where an indication of impairment exists such as customer insolvency or slow payment record without due cause.

28 FINANCIAL INSTRUMENTS CONTINUED

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments calculated to the maturity date:

Consolidated	Carrying amount	Contractual cash flows	6 mths or less	6-12 months	1-2 years	2-5 years
In thousands of AUD						
31 December 2007						
Secured bank loans	3,118	3,416	1,617	33	66	1,700
Finance lease and HP liabilities	1,394	1,551	345	334	872	-
Bank bill facilities	47,282	59,039	3,787	1,994	53,258	-
Trade and other payables	40,180	40,180	40,180	-	-	-
	91,974	104,186	45,929	2,361	54,196	1,700
31 December 2006						
Secured bank loans	9,217	9,967	334	334	9,299	-
Finance lease liabilities	200	222	62	61	99	-
Bank bill facilities	13,500	16,595	516	516	15,563	-
Trade and other payables	34,587	34,587	34,587	-	-	-
	57,504	61,371	35,499	911	24,961	-
Company						
31 December 2007						
Loans (to) / from subsidiaries	(18,964)	(18,964)	-	-	-	-
31 December 2006						
Loans (to) / from subsidiaries	3,588	3,588	-	-	-	-

(iii) Market risk

(i) Interest rates

Exposure to interest rate risk

The consolidated entity does not enter into interest rate swaps, forward rate agreements or interest rate options to manage cash flow risks associated with the interest rates on borrowings that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities.

Sensitivity analysis

A change in the interest rate at the reporting date of 100 basis points would result in an increase or decrease of interest expense in profit or loss by approximately $475,000 (2006: $135,000). This assumes all other variables remain constant.

(ii) Currency risk

Exposure to currency risk

The consolidated entity is exposed to foreign currency risk on the receivables and payables denominated in currencies other than the functional currency of the subsidiaries' operations. Forward Exchange Contracts (FECs) are entered into at the time a purchase order, denominated in a foreign currency of an amount greater than the AUD equivalent of approximately $20,000, is raised. The maturity of the FEC is based on the expected timing of the underlying purchase liability. Where necessary, for example, if the shipment of the purchased goods has been delayed, the FEC is extended. When sales are raised in a currency other than the functional currency, an FEC is entered into with a maturity corresponding to the expected inflows. All bank loans and facilities are denominated in the functional currency of the borrowing entity.

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

	31 December 2007		
	HKD	Euro	USD
In thousands of AUD			
Trade receivables	-	-	3,400
Trade payables	(84)	(3,318)	(606)
Gross balance sheet exposure	(84)	(3,318)	2,794
Estimated forecast sales	-	-	1,295
Estimated forecast purchases	-	(6,775)	(287)
Gross exposure	(84)	(10,093)	3,802
Forward exchange contracts			
For purchases	-	10,018	536
For sales	-	-	(4,336)
Net exposure	(84)	(75)	2

28 FINANCIAL INSTRUMENTS CONTINUED

(iii) Market risk continued

(ii) Currency risk continued

	31 December 2006		
	NZD	Euro	USD
Comparatives			
In thousands of AUD			
Trade receivables	-	-	3,258
Trade payables	-	(253)	(188)
Gross balance sheet exposure	-	(253)	3,070
Estimated forecast sales	2,832	-	5,629
Estimated forecast purchases	-	(1,350)	(1,282)
Gross exposure	2,832	(1,603)	7,417
Forward exchange contracts			
For purchases	-	1,603	1,455
For sales	(2,832)	-	(8,872)
Net exposure	-	-	-

Sensitivity analysis
A change in the foreign exchange rate at balance date would not have a materially adverse effect on the net exposure of the consolidated entity.

Other exposures
At balance date, the consolidated entity had taken out foreign exchange cover for the initial payment due for the acquisition of Shanghai Xiao Bao Storage Systems Equipment Co Ltd (note 34) by purchasing forward RMB12million (AUD equivalent $1.9million) for delivery in March 2008.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD 1:	2007	2006	2007	2006
NZD	1.1360	1.1570	1.1430	1.1189
MYR	2.8780	2.7730	2.9011	2.7807
HKD	6.5450	5.8790	6.8439	6.1315
USD	0.8390	0.7570	0.8776	0.7884
Euro	0.6110	0.6010	0.6010	0.5974

(iv) Fair values of financial assets and liabilities

The carrying value of the consolidated entity's financial assets and liabilities in the balance sheet approximate the fair value.

29 CONTROLLED ENTITIES

Particulars in relation to controlled entities	Country of Incorporation	Ownership interest 2007	2006
Parent entity		%	%
Dexion Limited	Australia		
Controlled entities			
Dexion (Australia) Pty Limited	Australia	100	100
Dexion Integrated Systems Pty Limited	Australia	100	100
Dexion Commercial (Australia) Pty Limited	Australia	100	-
Dexion Asia Sdn Bhd	Malaysia	100	100
Dexion Hong Kong Limited	Hong Kong	100	100
Dexion (New Zealand) Holdings Limited	New Zealand	100	100
Dexion (New Zealand) Limited	New Zealand	100	100
Dexion Commercial (New Zealand) Limited	New Zealand	100	-
Darroch Consulting Limited	New Zealand	100	-

30 CONTINGENT LIABILITIES

Secured

At balance date, bank Guarantees to the value of $10,300,000 (2006: $3,194,000) have been issued in favour of certain contracts and as security for rental leases. Bank guarantees form part of the Company's bank facility detailed in note 20. The facilities are secured by way of a first registered mortgage debenture over Dexion Limited and its Australian subsidiaries. At balance date there were no known circumstances which would give rise to a claim against any bank guarantee.

	Consolidated		The Company	
	2007 $000's	2006 $000's	2007 $000's	2006 $000's
31 EMPLOYEE BENEFITS				
Current				
Salary and wages accrued	30	1,532	-	-
Liability for long service leave	1,787	1,738	-	-
Liability for annual leave	3,090	1,949	-	-
	4,907	5,219	-	-
Non-current				
Liability for long service leave	517	247	-	-

32 SHARE-BASED PAYMENTS

During the year Performance Share Rights (PSRs) were issued under the Executive Performance Award Plan (made in accordance with the plan rules as approved by the shareholders at the AGM for the financial year ended 31 December 2005) to key management personnel.

The terms and conditions of the grants are as follows:

Grant Date / Employees entitled	Number of Instruments	Vesting Conditions	Contractual life of Rights
Grants made in the current period			
PSR grant to key management personnel on 30 April 2007	101,500	Continuing service and cumulative growth in earnings per share over 3 years	7 years
PSR grant to key management personnel and senior employees on 1 June 2007	142,600	Continuing service and cumulative growth in earnings per share over 3 years	7 years
Grants made in the prior financial period			
PSR grant to senior employees on 13 October 2006	182,000	Continuing service and cumulative growth in earnings per share over 3 years	7 years
PSR grant to key management personnel on 13 October 2006	120,000	Continuing service and cumulative growth in earnings per share over 3 years	7 years
PSR grant to key management personnel on 22 December 2006	45,000	Continuing service and cumulative growth in earnings per share over 3 years	7 years
	591,100		

32 SHARE-BASED PAYMENTS CONTINUED

The number of Performance Share Rights outstanding at 31 December 2007 is as follows:

	Number of PSRs 2007	Number of PSRs 2006
Outstanding at 1 January	347,000	-
Forfeited during the period	(21,100)	-
Granted during the period	244,100	347,000
Outstanding at 31 December	570,000	347,000

Fair value of Performance Share Rights and assumptions

The fair value of the Performance Share Rights 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 Rights allocated to this reporting period. The grants made in the current year have an earliest vesting date of 31 March 2010. The following factors and assumptions were used in determining the fair value of PSRs on grant date:

2007 Issues:	Grant date:	30 April 07	1 June 07
Fair value at grant date		$2.35	$2.32
Share price on grant date		$2.91	$2.86
Exercise price		-	-
Expected volatility		30 - 40%	30 - 40%
Expected life		2.92 years	2.83 years
Expected dividend yield		$0.320	$0.320
Risk-free interest rate		6.37%	6.37%

Year ended 31 December 2006 comparatives	Grant date:	13 October 2006		22 December 2006	
		Tranche 1	Tranche 2	Tranche 1	Tranche 2
Fair value at grant date		$1.19	$1.12	$1.97	$1.89
Share price on grant date		$1.44	$1.44	$2.32	$2.32
Exercise price		-	-	-	-
Expected volatility		22.0%	22.0%	27.0%	27.0%
Expected life		1.46 years	2.46 years	1.27 years	2.27 years
Expected dividend yield		$0.256	$0.256	$0.271	$0.271
Risk-free interest rate		6.3%	6.3%	6.4%	6.4%

Fair value of shares granted to employees

The Employee Share Acquisition Plan implemented in the prior year allows consolidated entity employees to acquire shares of the Company up to a value of $1,000 per year for nil consideration. The market value at the date of granting is recognised as an employee expense with a corresponding increase in equity. The market value is the volume weighted average price on the Australian Stock Exchange in the five days immediately prior to the day the shares are acquired. No grants were made in the current year under this Plan.

Employee expenses	2007 $	2006 $
PSRs granted	284,078	28,439
Shares granted	-	106,000
Total expense recognised as employee cost	284,078	134,439

33 BUSINESS COMBINATIONS

(i) Acquisition of business

On 1 January 2007, the consolidated entity acquired the net business related assets of Hamilton Perry Industries Limited, New Zealand, for the Australian Dollar equivalent of $15,788,000 satisfied in cash. The business is a manufacturer of pallet racking. As the business was fully integrated with the existing New Zealand business from the date of acquisition a separate result cannot be ascertained.

33 BUSINESS COMBINATIONS CONTINUED

(i) Acquisition of business continued

Effect of acquisition

The acquisition had the following effect on the consolidated entity's assets and liabilities:

Acquiree's net assets at the acquisition date	Recognised values on acquisition $000's	Fair value adjustments $000's	Pre acquisition carrying amounts $000's
Plant and equipment	1,619	(258)	1,877
Intangible assets - software	10	-	10
Inventories	4,259	-	4,259
Trade and other receivables	3,261	-	3,261
Trade and other payables	(587)	-	(587)
Accruals and provisions	(368)	-	(368)
Net identifiable assets and liabilities	8,194	(258)	8,452
Goodwill on acquisition	7,594		
Consideration paid, satisfied in cash *	15,788		
Cash acquired	-		
Net cash outflow	15,788		

* Includes acquisition costs amounting to $163,324

Goodwill has arisen on acquisition of the net assets of Hamilton Perry Industries Limited as some intangibles, such as customer relationships and expected synergies did not meet the criteria for recognition as intangible assets at the date of acquisition. A Purchase Price Allocation exercise was undertaken during the year. The values of assets and liabilities recognised on acquisition are the estimated fair value at that date.

(ii) Acquisition of subsidiary

On 1 April 2007, the consolidated entity acquired all the shares in Elite Built Pty Limited for the consideration of $19,579,000 satisfied in cash and the issue of 1,250,000 ordinary shares in the Company at $3.04 per share.

The company was renamed Dexion Commercial (Australia) Pty Limited on 30 October 2007. The company manufactures and distributes commercial office products. In the nine months to 31 December 2007, the subsidiary contributed net profit of $945,000 to the consolidated profit for the year. If the acquisition had occurred on 1 January 2007, management estimates that consolidated revenue would have increased by $6,900,000 and consolidated profit would have increased by $497,000.

Effect of acquisition

The acquisition had the following effect on the consolidated entity's assets and liabilities:

Acquiree's net assets at the acquisition date	Recognised values on acquisition $000's	Fair value adjustments $000's	Pre acquisition carrying amounts $000's
Plant and equipment	5,195	(657)	5,852
Intangible assets - software	36	-	36
Intangible assets - Tradenames	3,540	3,540	-
Intangible assets - Customer related	2,920	2,920	-
Inventories	2,718	202	2,516
Trade and other receivables	5,981	-	5,981
Cash and cash equivalents	(3,498)	-	(3,498)
Deferred tax asset	227	-	227
Trade and other payables	(4,378)	-	(4,378)
Provisions	(672)	-	(672)
Deferred tax liabilities	(1,938)	(1,259)	(679)
Net identifiable assets and liabilities	10,131	4,746	5,385
Goodwill on acquisition	9,448		
Total consideration paid	19,579		
Consideration paid, satisfied in issued shares	3,797		
Consideration paid, satisfied in cash *	15,782		
Overdraft acquired	3,498		
Net cash outflow	19,280		

* Includes acquisition costs amounting to $402,186

33 BUSINESS COMBINATIONS CONTINUED

(ii) Acquisition of subsidiary continued

Effect of acquisition continued

At the date of this report, the valuations of plant and equipment and the identification of the separately identifiable intangible assets have been completed and are reflected in the above Fair Value adjustments. An amortisation expense in respect of identifiable intangibles of $365,000 has been recognised during the period ended 31 December 2007. In addition, the fair value adjustment in relation to Goodwill includes the deferred tax liability that has arisen on the recognition of the Customer Related Intangible Asset.

Goodwill arose in the business combination as the consideration paid effectively included amounts in relation to the expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably ascertained.

(iii) Acquisition of subsidiary

On 1 August 2007, the consolidated entity acquired all the shares in the New Zealand company Audeo Limited for the Australian Dollar equivalent of $7,311,000 satisfied in cash. The company manufactures and distributes commercial office products. The company was renamed Dexion Commercial (New Zealand) Limited on 2 August 2007.

In the five months to 31 December 2007, the subsidiary contributed a net loss of $137,000 to the consolidated profit for the year. If the acquisition had occurred on 1 January 2007, management estimates that consolidated revenue would have increased by $11,930,000 and consolidated profit would have decreased by $600,000.

Effect of acquisition

The acquisition had the following effect on the consolidated entity's assets and liabilities:

Acquiree's net assets at the acquisition date	Recognised values on acquisition $000's	Fair value adjustments $000's	Pre acquisition carrying amounts $000's
Plant and equipment	2,153	-	2,153
Intangible assets - software	21	-	21
Inventories	1,456	-	1,456
Trade and other receivables	4,030	-	4,030
Trade and other payables	(2,456)	-	(2,456)
Loans and borrowings	(4,296)	-	(4,296)
Provisions	(644)	-	(644)
Deferred tax asset	41	-	41
Net identifiable assets and liabilities	305	-	305
Goodwill on acquisition	7,006		
Total consideration paid and payable	7,311		
Less retention	(724)		
Consideration paid, satisfied in cash *	6,587		
Cash acquired	-		
Net cash outflow	6,587		

* Includes acquisition costs amounting to $171,265

The assets and liabilities acquired have been included in the financial report based on provisional fair values. At the date of this report the identification and valuation of the Identifiable Intangible Assets, such as trade names, customer lists and customer relationships has not been finalised. The valuations currently being prepared may also impact the recognised fair values of the other assets acquired as part of the business combination.

33 BUSINESS COMBINATIONS CONTINUED

(iv) Acquisition of business

On 1 September 2007, the consolidated entity acquired all the business assets of the New Zealand company Darroch Consulting Limited for the Australian Dollar equivalent of $1,543,000 satisfied in cash. The company provides consulting and design services. In the four months to 31 December 2007, the subsidiary contributed net profit of $20,000 to the consolidated profit for the year. If the acquisition had occurred on 1 January 2007, management estimates that consolidated revenue would have increased by $1,000,000 and consolidated profit would have increased by $200,000.

Effect of acquisition

The acquisition had the following effect on the consolidated entity's assets and liabilities:

Acquiree's net assets at the acquisition date	Recognised values on acquisition $000's	Fair value adjustments $000's	Pre acquisition carrying amounts $000's
Plant and equipment	93	-	93
Trade and other receivables	97	-	97
Cash and cash equivalents	7	-	7
Trade and other payables	(80)	-	(80)
Provisions	(11)	-	(11)
Borrowings	(28)	-	(28)
Net identifiable assets and liabilities	78	-	78
Goodwill on acquisition	1,465		
Total consideration paid	1,543		
Consideration paid, satisfied in cash *	1,543		
Cash acquired	7		
Net cash outflow	1,536		

* Includes acquisition costs amounting to $11,516

Goodwill has arisen on acquisition of the net assets of Darroch Consulting Limited as some intangibles such as customer relationships and the technical talent of the acquired business work force did not meet the criteria for recognition as an intangible asset at the date of acquisition. The assets and liabilities acquired have been included in the financial report based on provisional fair values.

33 BUSINESS COMBINATIONS CONTINUED

Comparative information

Effect of acquisitions for the year ended 31 December 2006

(i) Acquisition of business

On 3 January 2006, the consolidated entity acquired the net assets of Spacemaster Office Systems Pty Limited for $1,134,000 satisfied in cash. The company is a provider of commercial office products and solutions.

The acquisition had the following effect on the consolidated entity's assets and liabilities:

	Recognised values on acquisition $000's	Fair value adjustments $000's	Pre acquisition carrying amounts $000's
Plant and equipment	69	-	69
Inventories	174	-	174
Trade and other receivables	963	-	963
Cash and cash equivalents	1	-	1
Deferred tax asset	41	41	-
Trade and other payables	(963)	-	(963)
Provisions	(155)	-	(155)
Net identifiable assets and liabilities	130	41	89
Goodwill on acquisition	1,004		
Consideration paid, satisfied in cash *	1,134		
Cash acquired	1		
Net cash outflow	1,133		

* Includes acquisition costs amounting to $45,279

Goodwill has arisen on acquisition of the net assets of Spacemaster Office Systems Pty Limited as intangible assets such as customer relationships did not meet the criteria for recognition as an intangible asset at the date of acquisition. No amendments to the provisional accounting were made during the current financial year.

(ii) Acquisition of subsidiaries

(i) Capital Racking Systems Ltd

On 1 September 2006, the consolidated entity acquired the net assets of Capital Racking Systems Ltd, New Zealand for the Australian Dollar equivalent of $9,910,000 satisfied in cash. The company manufactures and distributes pallet racking.

The acquisition had the following effect on the consolidated entity's assets and liabilities:

	Recognised values on acquisition $000's	Fair value adjustments $000's	Pre acquisition carrying amounts $000's
Plant and equipment	2,261	-	2,261
Inventories	652	(85)	737
Trade and other receivables	2,995	49	2,946
Cash and cash equivalents	1	-	1
Trade and other payables	(1,195)	-	(1,195)
Provisions	(203)	-	(203)
Net identifiable assets and liabilities	4,511	(36)	4,547
Goodwill on acquisition	5,399		
Total Consideration	9,910		
Less, retention (paid in current year)	(106)		
Total consideration paid in cash*	9,804		
Cash acquired	1		
Net cash outflow	9,803		

* Includes acquisition costs amounting to $463,037

Goodwill has arisen on acquisition of the net assets of Capital Racking Systems as intangible assets such as the customer relationships and expected synergies did not meet the criteria for recognition as intangible assets at the date of acquisition. A Purchase Price Allocation exercise was undertaken during the current year. No further adjustments were identified.

33 BUSINESS COMBINATIONS CONTINUED

Comparative information continued

(ii) Acquisition of subsidiaries continued

(ii) Dexion Integrated Systems Pty Ltd

On 31 October 2006, the consolidated entity acquired all the shares in Dexion Integrated Systems Pty Ltd for $9,429,000, satisfied in cash and the issue of 1,934,236 ordinary shares in the Company at $1.55 per share. The company develops storage systems software.

The acquisition had the following effect on the consolidated entity's assets and liabilities:

	Recognised values on acquisition $000's	Fair value adjustments $000's	Pre acquisition carrying amounts $000's
Plant and equipment	69	-	69
Identified Intangible assets			
Customer related	1,752	1,752	-
Intellectual property	3,745	3,745	-
Inventories	56	-	56
Trade and other receivables	1,930	-	1,930
Cash and cash equivalents	4,673	-	4,673
Deferred tax asset	142	142	-
Trade and other payables	(3,640)	-	(3,640)
Provisions	(432)	-	(432)
Customer Advances	(2,654)	-	(2,654)
Deferred Tax Liability	(526)	(526)	-
Net identifiable assets and liabilities	5,115	5,113	2
Goodwill on acquisition	4,314		
Total consideration paid	9,429		
Consideration paid, satisfied in issued shares	3,000		
Consideration paid, satisfied in cash *	6,429		
Cash acquired	4,673		
Net cash outflow	1,756		

* Includes acquisition costs amounting to $106,415

During the current year the valuations of the Identifiable Intangible Assets were completed and are reflected in the above Fair Value Adjustments. This resulted in Identifiable Intangibles of $5,497,000 being valued with a resulting decrease in Goodwill. The amortisation expense of $801,000 was attributable to the Identifiable Intangibles from the date of acquisition to 31 December 2007. The resultant balance of Goodwill recognised on the acquisition is attributable mainly to the skills and technical expertise of the acquired company's workforce and the synergies expected to be achieved from the integration with the existing business of the consolidated entity.

34 SUBSEQUENT EVENTS

The consolidated entity has entered into an agreement to acquire 100% of the business of Shanghai Xiao Bao Storage Systems Equipment Co Ltd, for approximately $3,500,000. The due diligence review has been completed, however, the acquisition has been delayed due to delays in finalising all necessary legal contracts and regulatory approvals. The acquisition is expected to be completed in March 2008.

In the interval between the end of the financial period and the date of this report there were no other items, transactions or events of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

35 DEED OF CROSS GUARANTEE

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

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

The subsidiaries subject to the Deed are:

Dexion (Australia) Pty Limited
Dexion Commercial (Australia) Pty Limited

The previous Deed, between the Company and Dexion (Australia) Pty Limited, was revoked on 21 December 2007, and a new Deed of Cross Guarantee between the Company and the listed subsidiaries was entered into on that date.

A consolidated income statement and consolidated balance sheet, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 December 2007 is set out below. The comparative figures, for 2006, represent the consolidation of the Company and Dexion (Australia) Pty Limited as parties to the Deed of Cross Guarantee at 31 December 2006.

	Consolidated	
	2007 $000s	2006 $000s
Summarised income statement and retained profits		
Profit before tax	4,763	10,591
Income tax expense	1,421	3,124
Profit after tax	3,342	7,467
Retained profits at beginning of year	9,786	6,103
Dividends recognised during the year	(5,102)	(3,784)
Retained profits at end of year	8,026	9,786
Attributable to:		
Equity holders of the Company	8,026	9,786
Balance sheet		
Assets		
Cash and cash equivalents	910	1,034
Trade and other receivables	29,731	25,355
Inventories	12,557	8,932
Total current assets	43,198	35,321
Investments in subsidiaries	17,383	13,106
Deferred tax assets	2,275	2,205
Property, plant and equipment	16,639	10,031
Intangible assets	17,453	996
Total non-current assets	53,750	26,338
Total assets	96,948	61,659
Liabilities		
Trade and other payables	25,314	22,364
Borrowings	2,605	-
Current tax payable	43	1,981
Provisions	110	110
Employee benefits	3,534	3,195
Total current liabilities	31,606	27,650
Borrowings	19,900	13,500
Employee benefits	471	207
Provisions	628	606
Deferred tax liabilities	2,174	247
Total non-current liabilities	23,173	14,560
Total liabilities	54,779	42,210
Net Assets	42,169	19,449
Equity		
Share capital	33,830	9,635
Reserves	313	28
Retained earnings	8,026	9,786
Total equity	42,169	19,449

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 December 2007.

(a) Distribution of shareholders, by size of holding, are:

Shareholders category	No. of Ordinary shareholders
1 - 1,000	293
1,001 - 5,000	704
5,001 - 10,000	473
10,001 - 100,000	542
100,001 and over	36
	2,048

(b) Twenty largest shareholders as at 31 December 2007

Name	No. of Ordinary shares held	Percentage of capital held
JP Morgan Nominees Australia	6,080,266	9.43%
National Nominees Limited	4,958,337	7.69%
Citicorp Nominees Pty Limited (CFS Developing Companies A/c)	4,809,969	7.46%
Bond Street custodians Limited (Macquarie Smaller Co's A/c)	3,027,494	4.69%
Cogent Nominees Pty Limited	2,652,787	4.11%
VBS Exchange Pty Ltd	2,616,406	4.06%
Argo Investments Limited	2,534,099	3.93%
RBC Dexia Investor Services Australia Nominees Pty Limited (PIIC A/c)	2,259,389	3.50%
ANZ Nominees Limited (Cash Income A/c)	2,185,447	3.39%
MCM Asia Pacific Pty Ltd	1,935,960	3.00%
RBC Dexia Investor Services Australia Nominees Pty Limited (Pipooled A/c)	1,722,954	2.67%
RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST A/c)	1,660,819	2.57%
Mr Trefor & Mrs Janet Clayton (Carthona Superannuation Fund A/c)	1,255,387	1.95%
Threlfall Pty Limited (Threlfall Family A/c)	1,250,000	1.94%
VBS Exchange Pty Ltd	1,000,000	1.55%
Queensland Investment Corporation	738,778	1.15%
Aust Executor Trustees NSW Ltd (TEA Custodians Limited)	682,131	1.06%
HSBC Custody Nominees (Australia) Limited	555,858	0.86%
Gordon Merchant No2 Pty Limited (Merchant Family A/c)	500,000	0.78%
RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/c)	372,733	0.58%
	42,798,814	66.37%

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 during the year are:

Shareholder	No. of shares
Commonwealth Bank of Australia 123 123 124	5,244,088
Portfolio Partners Limited 85 066 081 114	6,768,504
Wilson HTM Investment Group Limited 105 330 184	3,284,452
VBS Exchange Pty Ltd 109 106 201	3,304,046
Pengana Holdings and related bodies 103 765 082	3,338,083

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