12 October 2007

Company Announcements Office
Australian Stock Exchange Limited
4th Floor
20 Bridge Street
SYDNEY NSW 2000

2007 ANNUAL REPORT

Any enquiries should be directed to Mr. Peter Wilson (Managing Director) on (03) 9269 7600

The information contained herein should be read in conjunction with the most recent annual financial report.

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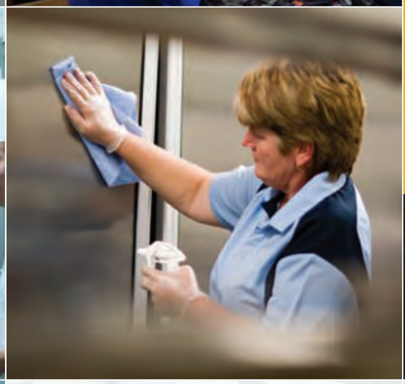

2007 Annual Report

SPOTLESS

DIRECTION
COMMITMENT
ACTION

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Spotless Group Limited
ABN 77 004 376 514
Registered Office:
Level 3, 350 Queen Street
Melbourne Vic 3000
www.spotless.com

Annual General Meeting
Friday 23 November 2007 at 10:30am
ANZ Pavilion, The Arts Centre
St Kilda Road
Melbourne Vic 3000

Financial Calendar
Record date for final dividend - 21 September 2007
Final dividend paid - 12 October 2007
Annual General Meeting - 23 November 2007

It has been a challenging year for Spotless. In response, we have acknowledged the need for change, developed a new strategic direction and taken action to improve our performance.

We have sharpened our focus on the customers and markets that offer our businesses greater competitive advantages.

We have simplified and re-organised our structures to generate greater efficiencies and to help us better align our services and resources to meet the needs of our customers.

We have identified the right leaders and continued to invest in the development and safety of all our people, so that we are better positioned to deliver on our strategy.

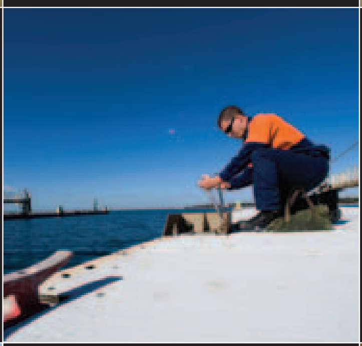
While there is still more to do as we focus on improving all aspects of our business, we are planning, doing and building.

2007 HIGHLIGHTS

Berkeleys Franchise Services grows to over 50 franchises across Australia.

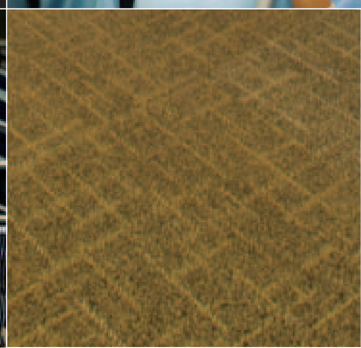
Equipment upgrades at Australian laundries will reduce water consumption by 35%.

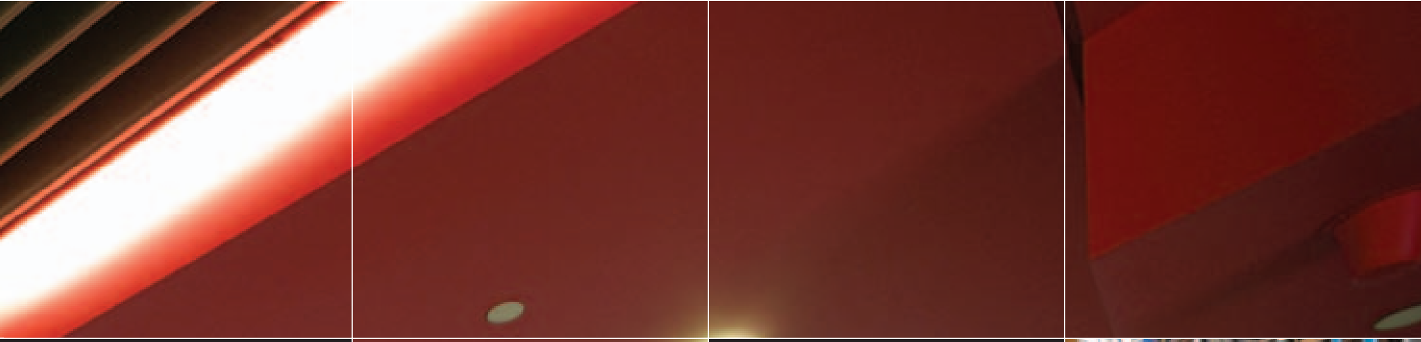
Significant hanger re-use contract signed with Marks & Spencer.



Won and commenced a 30 year contract to manage and maintain Bonnyrigg Housing Community in NSW.

Won USA contracts with Dollar General and Hudson Bay-Zellers, and Lindex of Scandinavia in Europe.





Won a food contract to supply Christchurch Convention Centre, Jade Stadium and Westpac Arena to 2020.

Won a major uniform distribution contract with Woolworths.

First full year of new MCG food services contract an outstanding success.

Won a seven year laundry contract with Auckland Regional District Health Board.

More than 2,000 sites were involved in Spotless Safety Week.

Chairman's Review

Welcome to the 2007 Spotless Annual Report, my first as Chairman.

It has been a difficult and challenging year for the Spotless Group. We have made fundamental changes that will help ensure our business, our employees and our customers prosper well into the future.

Our overall financial performance this year was well below our potential and does not reflect the leading positions we hold in our key markets, which is why the Board and management have moved swiftly to develop and implement a strategy that unlocks the true potential of Spotless.

A comprehensive performance improvement review confirmed that Spotless has a strong business portfolio with significant unrealised potential and concluded that the best path for maximising shareholder value is through improving the operating results of the current business portfolio.

As a result of the review we have implemented a company-wide organisational restructure, which has already enabled us to achieve significant cost savings and positions us to take advantage of organic growth opportunities within the current business portfolio.

We are asking for nothing less than a transformation of our business. We believe in giving our managers who know their businesses the ability to take the opportunities their markets provide and to build first-class, innovative businesses based on customer focus, organisational adaptability and top service standards. Operating divisions are installing their own business development capabilities to identify and pursue growth in the most rewarding markets. Shared corporate services will be leaner to suit the cost needs of the operating businesses. Management will continue to assess opportunities to further simplify the business and identify cost and efficiency improvements.

Platform for improved performance

The new organisational structure brings senior management closer to our key markets, providing Spotless with a sharper focus on customers and costs as well as an enhanced platform for growth.

The new structure has been established along clearly defined business lines to improve transparency, accountability, cost effectiveness and customer value.

The Australian and New Zealand businesses have been integrated and now operate through the divisions of:

- Food Services
- Cleaning Services
- Laundries
- Managed Services.

Managed Services includes Spotless' facilities management and asset maintenance operations as well as the customer interface where Spotless provides multiple services.

The Retailer Services division continues to service the global apparel industry with hangers and recycling and re-use programs.

Governance

The Spotless Board has undergone a transformation during the past year to support our drive towards greater independence, transparency and accountability.

Dean Pritchard and Bronwyn Morris have been appointed Non-executive Directors.

We have established a number of new Board committees to ensure there is appropriate visibility and focus on the key areas of governance, risk management, human resources and safety. These new committees will provide the Board with a more integrated and holistic view of the critical elements of the Company's operations and performance. Committee details are outlined in the Governance Report.

Ian McMullin, the founder of the Spotless Group of companies, retired as a Director in November 2006. Former Chairman and Managing Director, Brian Blythe, and former Chief Financial Officer, John Bongiorno, both retired. Sadly, Ron Evans lost his courageous battle against illness in March this year. We thank them for their significant contributions to Spotless.

Financial review

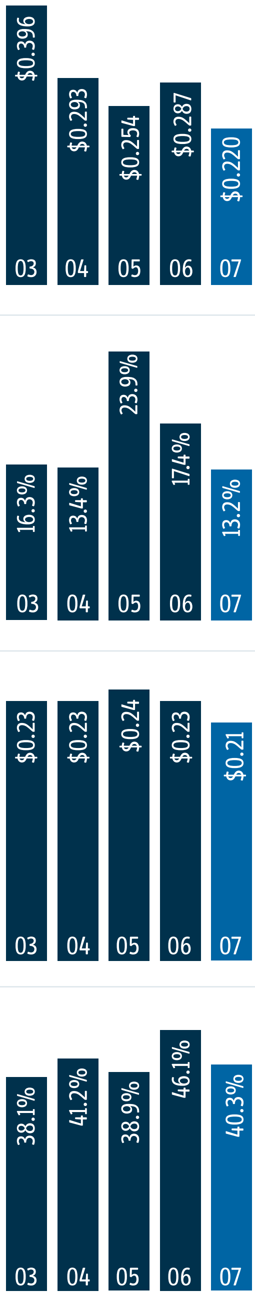
Earnings per share fell by 24.2 per cent to 22 cents per share in 2007, as compared with 29 cents per share in 2006, reflecting a lower operating profit as well as significant non-recurring costs. Although parts of the business performed well in 2007, underlying operating profit before interest, tax and net non-recurring expenses fell by 7.3 per cent to $104.6 million in 2007.

The 2007 result reflects net non-recurring expenses of $4.6 million after tax, including the write-off of impaired assets and unprofitable business contracts.

Net operating cashflow for the 2007 year improved substantially, enabling the Company to reduce gearing and lower interest expense.

We are asking for nothing less than a transformation of our business. We will focus on logical business lines and specialised services, as well as cost, efficiency and growth.

Peter J Smedley
Chairman



While we're a large and diverse organisation, we have no desire to be all things to all people. We aim to occupy a leadership position in the markets in which we operate, concentrating on areas where our innovative ideas provide unique solutions.

Final dividend

The Spotless Board has declared a final dividend of 10.5 cents per share, franked to 47 per cent. This brings the total dividend in 2007 to 21 cents per share, compared with 23 cents per share in 2006. The lower dividend this year reflects the lower earnings per share generated by the Company.

The Company will extend the dividend reinvestment plan for the 2007 final dividend.

Focus for the coming year

Our priority for the next 12 months is to substantially improve shareholder returns. We will focus on costs, efficiency and growth enabled by the changes we are making and through greater customer focus and continuous improvement in systems and processes.

I would like to thank our shareholders for their continued support and acknowledge the efforts of all our employees, led by Peter Wilson and my Board colleagues.

Peter J Smedley
Chairman

Thank you

Ron Evans AM 1939-2007

In March 2007 Spotless sadly farewelled a beloved leader, Ron Evans, who passed away after a courageous fight against illness.

Such was the admiration of Ron that tributes flowed in from across the nation from politicians, business figures and football legends.

Ron joined Spotless in 1969 and was instrumental in the vision and leadership of the business. He served as Managing Director of Spotless Services Limited from 1992 to 2004, before becoming a Non-executive Director. During a career spanning 37 years, Ron's contributions to the organisation personally and professionally ensured that both the business and culture flourished.

In addition to being an inspiring business leader, Ron's achievements in the sporting arena were numerous. As a player and a leader, he excelled. He played 64 games for Essendon Football Club between 1958 and 1962, and continued to contribute to the game as Chairman of the AFL from 1998 to 2007. He also won the Coleman Medal two years running in 1959 and 1960 as the VFL's leading goal-kicker and represented Victoria in State of Origin football matches.

Ron was also a dedicated philanthropist. He related to people from all walks of life and was a mentor to many. He was instrumental in the support of the Juvenile Diabetes Research Foundation (JDRF) as a member of the JDRF's Board of Directors and Chair of the Melbourne Walk to Cure Diabetes Corporate Committee.

In 2006, Ron was awarded a Member of the Order of Australia (AM) for service to business and commerce, to Australian Rules Football as a player and administrator and to the community through support for a range of charitable organisations.

Ron was a person of immense integrity and charisma, his impact on Spotless, the community and his wide circle of friends and acquaintances ensures a lasting legacy.

Brian Blythe

Spotless' long serving Chairman and Managing Director, Brian Blythe, retired in March 2007 after a 35 year career with the organisation. During this time Brian drove the growth and diversification of the Company.

Brian joined Spotless in 1972 and quickly began to focus on the strategic development of the Company. He was pivotal in growing Spotless from a small dry cleaning business to an international organisation employing approximately 31,000 around the globe.

Through acquisitions, the Company's size and turnover grew dramatically during Brian's tenure. He was paramount in the purchase of Ensign, the business that provides Spotless with its expertise in linen and laundry management.

He also oversaw the purchase of numerous food services companies such as Nationwide Foodservices, O'Brien Catering and Senter Catering that allows us to now service hundreds of food contracts throughout Australia and New Zealand.

The purchase of the P&O companies facilitated Spotless' move into asset and facilities management, a project in which Brian was involved. He is also credited with the growth and international development of the Retailer Services division that provided the opportunities for Spotless to expand into the global market.

Brian always had a grand vision for the Company, yet he never lost sight of the individuals who made it what it is. The people of Spotless were always a high priority for Brian. Through his leadership style, integrity and management vision, a culture of care and commitment flourished and remains a continuing legacy.

Managing Director's Overview

The financial results for the Spotless Group in 2006-07 were disappointing and unacceptable. Whilst the company was affected by a number of adverse external influences, the underlying financial performance was nevertheless unsatisfactory.

Recent changes to our Board and senior management team have provided the ability to view the Group with fresh eyes and make some frank and honest assessments of areas where we need to act and move in a new direction.

Following a comprehensive internal review, we have begun implementing a series of initiatives aimed at addressing shortfalls in our performance.

Armed with a clear vision and a strong commitment to taking action, we are looking forward to progressively delivering significantly improved results in the years ahead.

How we performed

2007 was a difficult year for Spotless with results negatively impacted by foreign exchange rates, the cost of a cyclone in Western Australia and the industrial relations environment in New Zealand. However, it must be acknowledged that a number of fundamental underlying business performance issues constrained our financial results.

Group revenue attributable to continuing operations rose 2.2 per cent to $2.6 billion. Reported profit before income tax expense and finance costs (EBIT) at $92.8 million was 17.7 per cent lower than the previous year. Reported net profit after tax and minority interests declined 23.5 per cent to $47.3 million. Underlying net profit, prior to non-recurring items, was $51.9 million, representing a fall of 15.1 per cent on the prior year. Underlying earnings per share fell 15.9 per cent to 24.1 cents.

Services Australia

Revenues rose 5.0 per cent in 2007 to $1,829.6 million. Strong revenue growth was achieved within the major stadia and airports food businesses through some significant contract wins. Managed Services had a positive revenue result, driven by defence and government housing projects but this was somewhat offset by a reduced scope of service within a healthcare contract.

Modest revenue growth was achieved within the laundries business. Growth in large-scale cleaning contracts was offset by the impact of some losses in smaller contracts.

EBIT rose 10.4 per cent in 2007 to $69.3 million. EBIT margins rose from 3.6 per cent in 2006 to 3.8 per cent in 2007. The key drivers of this result were Food Services, Managed Services and Laundries. EBIT rose at a slower rate in the second half of the year, partly reflecting the $2.6 million impact of businesses exited during 2007 and the associated impact on revenue during the second half.

Services New Zealand

A soft environment within our key New Zealand markets was the principal contributor to a revenue decline of 3.9 per cent in 2007 to $306.2 million. This resulted in EBIT falling from $22.1 million in 2006 to $16.2 million. Legislative cost imposts from higher labour rates adversely impacted profitability across the business, and overall adverse impact on EBIT was several million dollars.

Within Food Services, a relatively subdued sporting calendar impacted revenues. Laundries' revenue was lowered by the sale of the Invercargill operation in July 2006. However, positive highlights were the renewal of the Auckland Regional District Health Board contract by Laundries and securing a food contract to supply the Christchurch Convention Centre, Jade Stadium and the Westpac Arena to 2020. Managed Services' operating result encountered short-term profit volatility within a number of contracts.

Retailer Services

Revenues fell 5.0 per cent in 2007 to $433 million, driven largely by weaker USA sales within the mass-merchant customer segment and the intimate apparel product category. It should be noted that adverse foreign exchange translation lowered reported revenues by $16 million when compared to 2006.

Foreign currency translation, restructuring costs and a higher price for resin, the raw material used to make hangers, delivered a Retailer Services EBIT of $27.9 million in 2007, down 26.2 per cent on the previous year.

Group

Net cash from operating activities improved by 62.7 per cent following an increased focus on cash management. Finance costs for the year at $26.8 million were 4.6 per cent lower than the previous year, reflecting stronger cash flow.

The tax rate for the Company's profit remained steady at 26.7 per cent in 2007.

During the year we sold the printing business Trackmedia, a group of Open Space outdoor grounds maintenance contracts and a freehold property. None were considered core assets. Additionally, the Company was compelled to defend itself in the Barkly Street litigation case, incurring significant legal costs of $6.5 million. This cost is considered non-recurring. It is expected that judgment will be delivered in the near future.

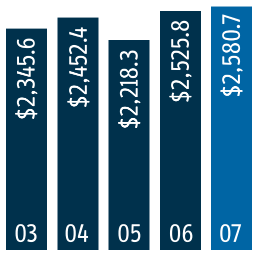
Segment Results

AUD millions	2007	2006
Sales		
Services Australia	1,829.6	1,743.0
Services New Zealand	306.2	318.7
Retailer Services	433.0	455.7
Group sales	**2,568.8**	**2,517.4**
EBIT		
Services Australia	69.3	62.8
Services New Zealand	16.2	22.1
Retailer Services	27.9	37.8
Corporate administration	(8.8)	(9.9)
Group EBIT - prior to non-recurring items	**104.6**	**112.8**
Non-recurring items	(11.8)	-
Reported Group EBIT	**92.8**	**112.8**

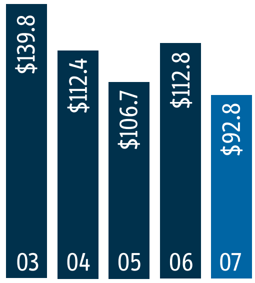
Peter A Wilson

Managing Director & Chief Executive Officer

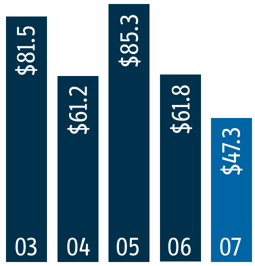
Sales revenue (AUD millions)



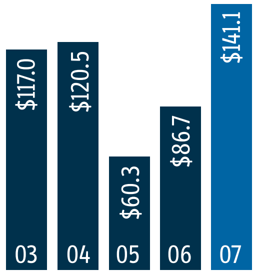
EBIT (AUD millions)



Net profit (AUD millions)



Operating cash flow (AUD millions)



Managing Director's Overview continued

Total non-recurring expenses during the year amounted to a net $4.6 million post-tax. This was comprised of $18 million in impaired assets and onerous contracts, profit on sale of assets of $12.7 million, Barkly Street legal costs of $6.5 million and a reduction in tax expense of $7.3 million.

Excluding adverse external influences and non-recurring costs experienced in 2007, our financial results were unacceptable. We have made many tough decisions in 2007 and are continuing to take assertive steps to rectify our financial performance.

New vision, new perspectives

Coinciding with the recent changes to the Spotless Board, we have restructured our senior management team with some highly experienced executives who bring a new depth of expertise to the Company.

In April 2007, Jo Farnik joined in a strategic capacity and has also taken on the role of Chief Executive Officer, Retailer Services. André Carstens was appointed as the Group's new Chief Financial Officer. Other recent additions to the executive management team include Melos Sulicich and Peter Lamell as Group General Managers of Cleaning Services and Managed Services respectively. Jeff Pearce also joined Spotless as Group General Manager of Human Resources.

In 2007 we said farewell to some long-serving staff. Outgoing Chief Financial Officer, John Bongiorno, retired on 30 June 2007. John's contribution has been invaluable over his 28 years with Spotless. Additionally, Maurice Nicholson retired from the position of Chief Executive Officer, Retailer Services on 1 August 2007 after beginning his career with Spotless in 1986. During this time, Maurice has been instrumental in building our New Zealand businesses.

Business review

As noted by the Chairman, during the second half of 2007 the Company commenced a comprehensive performance improvement review aimed at addressing inadequate financial performance. The review was undertaken in the context of an objective, evidence-based analysis of Spotless and its business portfolio.

The review was overseen by the Board and conducted by management with appropriate external support where required. Our response to the key findings of the review have been acted upon swiftly.

In July 2007 we implemented a new organisational structure to deliver a sharper focus on customers and costs and provide an enhanced platform for growth.

The service businesses now operate under the divisions of Food, Cleaning, Laundries and Managed Services across Australia and New Zealand. Retailer Services is operating in a new global organisational structure as a separate business. The Australian, New Zealand and corporate business and administration structures have been integrated into one administrative and shared services structure.

To provide greater clarity for shareholders, Spotless will report segment results under the following divisions from 2008:

Food Services - is a market leader with a diverse range of customers. On an average day, Spotless serves over 250,000 meals.

Our hospitality, events and venues business includes sports stadiums where we supply food and catering services throughout New Zealand and in Australia at stadiums including the Melbourne Cricket Ground (MCG), Suncorp Stadium in Brisbane and Subiaco Oval in Perth. We also cater at major convention and function centres such as Zinc at Federation Square in Melbourne and serve food at airports. Spotless is also one of the largest caterers to business and education institutions.

Cleaning Services - covers a wide range of critical sectors including hospitals, schools and airports. In New Zealand we clean iconic places such as the Auckland Museum as well as complex national networks of commercial sites, such as banks. In Australia, our portfolio of major cleaning contracts include Crown Casino and the New South Wales Department of Education and Training where we clean more than 125 schools in metropolitan Sydney.

Our Berkeleys commercial cleaning franchise continues to grow. Under this business model aimed at more flexible labour force delivery, we provide smaller cleaning contracts and operational support to franchisees.

Laundries - wash and supply workwear for large supermarket chains, food manufacturing and general industry customers. We specialise in linen and laundry for the healthcare sector, including sterilised linen and surgical packs.

In Australia we operate 13 laundry plants employing approximately 1,300 people and processing more than 60,000 tonnes of laundry every year. Over 13 million garment pieces are processed and supplied to customers each year.

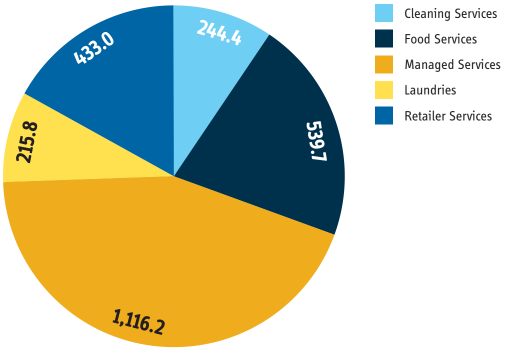
In New Zealand, Spotless owns 66 per cent of Taylors Group Limited. There are six commercial laundries that form Taylors' operations and we supply 14 of the country's 21 health boards.

Managed Services – is comprised of Spotless' facilities management and asset maintenance operations as well as the customer interface where Spotless provides multiple services, enabling our customers to focus on their core business. We support a variety of vital sectors such as defence, education, health, industry and mining.

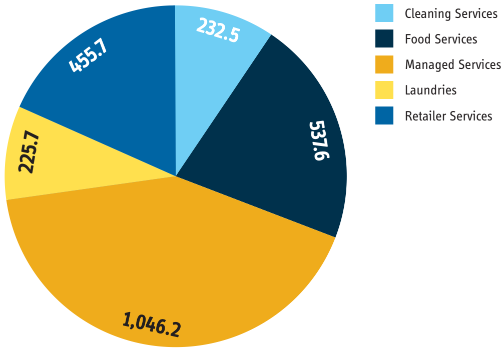
The Managed Services business has a growing portfolio of Public-Private Partnership (PPP) contracts where Spotless acts as the operator and service provider for social infrastructure assets. These assets include public housing, schools and other educational institutions, hospitals and defence assets. The operation of PPP assets requires complex and specialist capabilities including whole-of-life asset management and maintenance, with contract duration typically ranging from 25 to 35 years.

Every day, thousands of organisations in Australia, New Zealand and around the world rely on Spotless to support their businesses.

Revenue 2007 (AUD millions)



Revenue 2006 (AUD millions)



Last year in Australia we enjoyed several significant contract wins and mobilisations that demonstrate the success of our focus on securing long-term, multi-service facilities management contracts. We see these contracts as central to the future of our Managed Services business.

Retailer Services - works with major retailers to meet their garment display and associated logistics requirements. We manage the manufacture and supply of clothing hangers to garment manufacturers and major retailers, such as Marks & Spencer. We also collect, recycle and re-use hangers, which is both cost effective and helps the environment. Retailer Services also provides clothing manufacturers with other essential items, such as labels, swing tickets and security tags.

Investing in our people

Every business depends on its people – but Spotless is its people. Our employees and our service culture are a distinctive and highly valued strength.

Finding and keeping the right people across all levels is critical to performing well and meeting our targets.

We have increased trainee numbers and are expanding our ongoing learning and development programs to ensure all our people have opportunities to develop their careers at Spotless. This also helps us to recruit and retain capable people in tight employment markets.

Safety continues to be an important focus in our workplaces and even more so with one tragic fatality this year during Cyclone George in Western Australia. Our safety campaign has seen some overall reductions in injuries this year but our aim must be for all of our workplaces to be injury free.

Giving back to the community

For many years, Spotless has supported charities and organisations in communities in which we operate and this work continues. We are also committed to ethical business practices, of which our employees and customers can be proud. We have taken further action this year to make our business more environmentally responsible. We've tested bio-fuels and the use of green energy. We've installed equipment that uses less power and water.

Outlook

Spotless has set a clear course to deliver sustainable, improved outcomes, driven by a revitalised structure and executive team.

Spotless' priorities are to take advantage of organic growth opportunities within the current business portfolio. The realigned organisational structure will greatly improve the focus on our markets and customers.

We intend to leverage existing market leadership advantages by implementing replicable processes in all businesses, with an early focus on Managed Services.

Naturally, we review growth through acquisition on an ongoing basis. Along with appropriately stringent financial hurdles, clear strategic criteria for any investment is that it will provide an extension of Spotless' capabilities and deliver long-term value to shareholders.

It is pleasing to note that the performance review process has already delivered $10 million in cost savings from late July 2007 with a total of $15 - $20 million in annual cost savings expected by 31 December 2007.

We continue to expect significantly improved underlying financial performance as a result of the changes we are making. Earnings momentum is anticipated to strengthen as the year progresses, particularly in the second half as we continue to implement and embed the review findings during the first half of 2008.

Finally, I wish to close with a note of sincere thanks to all Spotless employees for their ongoing efforts and a reassurance that we remain committed to making the Company stronger and a safe place to work.

Peter A Wilson
Managing Director & Chief Executive Officer

Up to 12 million passengers travel through Auckland International Airport each year. Keeping it clean is our single biggest cleaning contract in New Zealand.

A NEW LEVEL

Spotless works behind the scenes to help make the airport experience a pleasant one for millions of travellers.

CASE STUDY
AIRPORTS

We live in a world where everyone is on the move. Every day hundreds of planes take off from airports in Australia and New Zealand. Airports control air traffic and provide the runways for planes to take-off and land. Airlines provide tickets and seats on planes and transport millions of people to their destinations.

We run food outlets for hungry travellers and make sure the terminals are clean and well maintained.

Spotless cleans Brisbane airport, where around 12.4 million domestic and four million international passengers pass through each year. Our retail food outlet operations continue to expand at the airport as foot traffic increases to around 20 million people a year including staff.

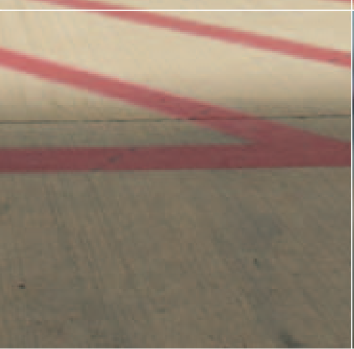
We look after other important services such as cleaning and support functions like baggage handling, waste management, car park and tarmac cleaning and maintenance of landside property areas at airports all over Australia.

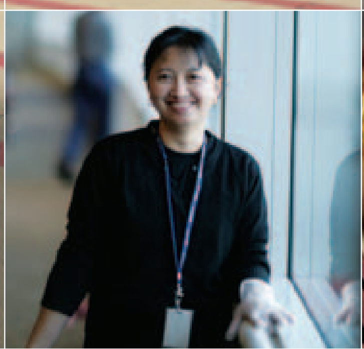
Up to 12 million passengers travel through Auckland International Airport each year and keeping it clean is our single biggest cleaning contract in New Zealand.

We also operate food outlets at six airports in New Zealand including Auckland, Tauranga, Hawke's Bay, Nelson, Invercargill and Dunedin.

You may not always realise that it’s Spotless running food and beverage outlets like Red Rooster, Eagle Boys, Aromas, Brumby’s GO!, Espresso Plus, Ranges Bar, River Cafe and Velluto - which won Cafe of the Year at the 2006 Cafe Biz Awards in Sydney.

We don’t just help keep airports functioning for the many people who need to get to places as quickly and effortlessly as possible – in many cases Spotless works behind the scenes to help make the airport experience a pleasant one.





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Managed Services

The past year has seen continued development of our Managed Services capabilities resulting in a number of contract wins and mobilisations. However, financial performance was below expectations. Steps are being taken to address performance issues arising from our internal business review.

Looking ahead, the future of our Managed Services business lies in developing our service offerings in growing market segments and translating our scale and deep industry expertise to lower costs. We believe the underlying business is sound and are confident in the long-term future of Managed Services.

Helping customers focus on their strengths

Governments and private sector organisations form hubs of activity – large and complex communities including defence bases, education campuses, hospitals, commercial buildings as well as industrial plants and mining operations.

Managing and supporting these communities is what we do.

Our Managed Services business brings facilities and asset management technical expertise and project management together to support our customers' core business.

Our work covers everything from plumbing, electrical work, maintaining buildings and equipment, to water and electricity supply to wharves and highly skilled jobs like de-magnifying Navy vessels as they come into port.

Performance

Financial performance in 2007 was disappointing. Costs arising from Cyclone George and rising workers compensation premiums adversely impacted Managed Services. However whilst we remain unsatisfied with our overall financial performance, we are working hard to optimise efficiency and lay the foundations for further growth in the coming years.

Importantly from a business development perspective, the Managed Services business continued to leverage Spotless' strong bid management and mobilisation capabilities.

We won, renewed or mobilised a number of substantial contracts during 2007 including Bonnyrigg Housing, New South Wales Schools II and the Defence Headquarters being built just outside the Australian Capital Territory. This solid sales growth is developing from our growing portfolio of Public-Private Partnership projects where Spotless manages and operates the infrastructure in these contracts.

The operation of Public-Private Partnership assets require complex and specialist capabilities including whole-of-life asset management, with contract duration typically ranging from 25 to 35 years. Spotless has a successful track record in this segment and has won five of the eight Public-Private Partnership managed service contracts we have tendered for.

We experienced some wins and losses across our Australian defence portfolio in 2007, with an overall shift in contracts towards Comprehensive Maintenance Services (CMS) and a move away from Garrison Support Services (GSS). We hold CMS contracts in eight of the 12 defence force regions in Australia. The focus on bidding as a principal CMS supplier reflects our strategic direction towards the provision of total, integrated services for the maintenance of defence force assets.

In New Zealand, our contract with the New Zealand Defence Force to maintain the Trentham Military Camp near Wellington was also extended, and we expect further growth in this market in 2008.

In other Managed Services contract wins, we secured a facilities maintenance contract for Sydney Water, expanded the facilities maintenance services for Shell Australia and retained the facilities maintenance contract at the Commonwealth Law Courts throughout Australia.

We won a contract to provide housekeeping, catering and linen distribution at the Flinders Medical Centre in South Australia last year, where 180 Spotless employees are now working as an integral part of the hospital.

We were also appointed to deliver a range of facilities management and asset maintenance services for New Zealand Steel. The three year agreement to provide a wide range of services, including building and system maintenance, fleet vehicles management and waste management and recycling, grew out of what was initially a single-service commercial cleaning contract.

Through our involvement in significant Public-Private Partnerships, Spotless is helping to shape Australia's social infrastructure landscape.

Key achievements in 2007

Public-Private Partnerships have emerged in recent years as highly effective arrangements through which governments can develop major infrastructure projects, while leaving the facilities management and operation to partners who are experts in these activities.

Partners like us.

NSW Schools II

Spotless was awarded this 30 year Public-Private Partnership contract with the New South Wales Department of Education and Training to provide management and support services at two secondary schools and eight primary schools. It is the second such contract we have won. Through the combined contracts, we currently operate in 11 schools and will mobilise a further eight, to reach 19 schools by the end of 2008. Spotless effectively provides everything except the teachers and the curriculum. We maintain the buildings, clean them, cut the grass, provide the classroom equipment, take away the rubbish and even pay the utility bills.

We have two other NSW Department of Education and Training contracts, including cleaning at 125 schools and maintaining the facilities at 485 schools in NSW.

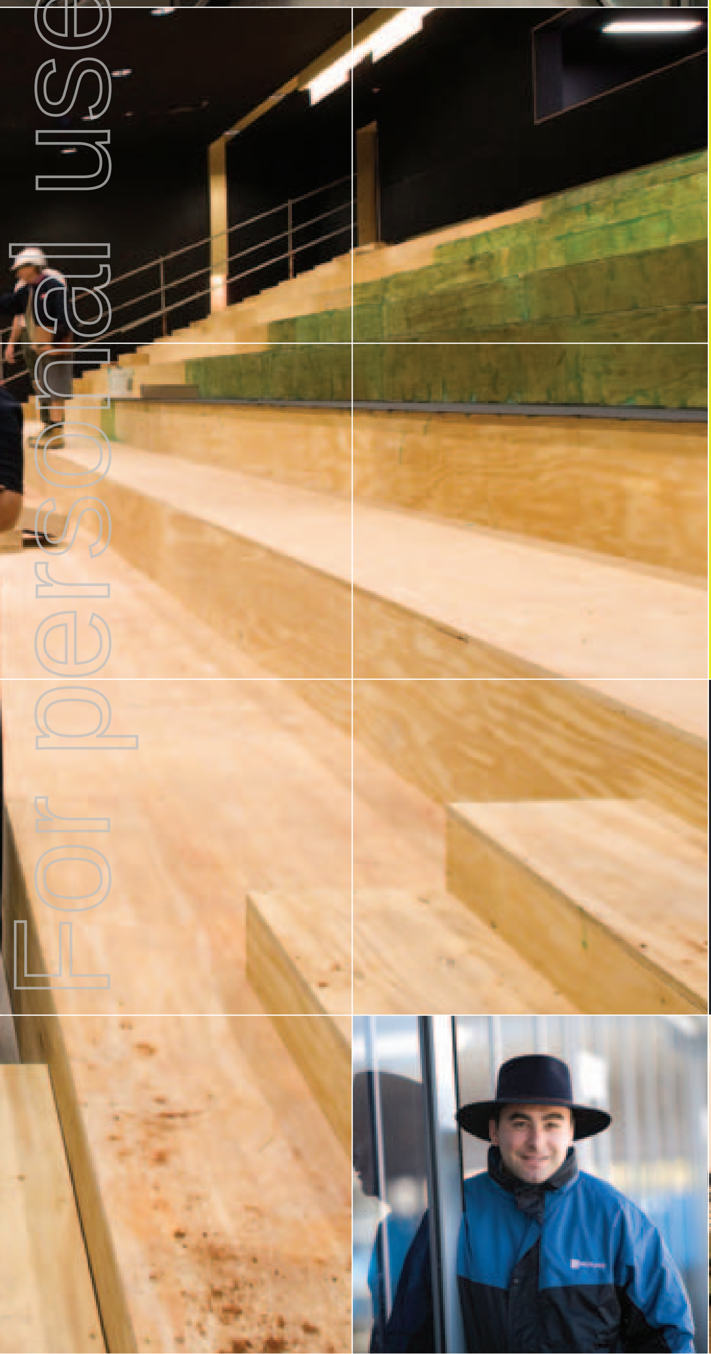
Bonnyrigg Housing Community

In 2007 Spotless won and commenced mobilising this 30 year Public-Private Partnership contract for the New South Wales Department of Housing, with consortium partners Becton and Westpac. Our role is to manage and maintain community facilities and 833 public houses.

Australia's Defence Headquarters - Joint Operations Command Project

As part of this Public-Private Partnership initiative, Spotless was awarded the contract to operate and maintain Australia's Defence Headquarters - Joint Operations Command. The project will be the major headquarters for all defence operations. Spotless continues to mobilise this contract with planned commencement of facilities management services from July 2008. The contract has a 27 year life-span and is a consortium with Leighton Contractors and ABN AMRO.

Governments trust us to manage these projects and facilities, because we have the skills, management, experience and resources to deliver.



CASE STUDY

PUBLIC-PRIVATE PARTNERSHIPS

As populations and cities grow, governments and public service departments in Australia and New Zealand realise the need to collaborate with the private sector to raise standards in areas like education, health, and defence.

In practical terms this means there's a constant push to improve social infrastructure: hospitals, defence sites, housing, universities and schools. And increasingly Public-Private Partnerships have become the way these often massive projects are not only built and financed, but also managed and maintained into the future.

Which is where Spotless comes in. Governments trust us to operate and maintain the facilities in these large-scale partnerships because we have the skills, management, experience and resources to deliver. We provide a host of facilities management and asset maintenance services.

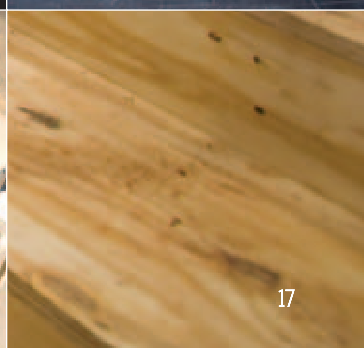
Through our involvement in significant Public-Private Partnerships such as Southbank Institute of Technology, New South Wales Schools II and the Bonnyrigg Housing Community, we are contributing to Australia's social landscape in one of the most practical and important ways possible.

The success of the 34 year Southbank Education and Training Public-Private Partnership demonstrates what can be achieved when private enterprise works together with government. This year, the $550 million project was recognised with an international public-private finance award for excellence.

The Southbank Public-Private Partnership is a huge redevelopment project to improve education and training facilities for 27,000 current and future students. Eleven new and four refurbished buildings on the four-hectare site in Brisbane will provide an architect-designed, state-of-the-art environment with some of the most technologically advanced buildings in Australia and Spotless operates the facilities maintenance services across the entire site.

We see a bright future working in these community infrastructure projects and we are committed to their success.

The $550 million Southbank Education project was recognised with an international public-private finance award for excellence.



Food Services

In the Food Services business we continued to enhance our broad food offering, exploring healthier options, greater variety and branded food retail concepts. We have concentrated on growth in our core business and improving profitability in smaller contracts.

Hospitality

In Australia, the hospitality business including stadiums and large events, experienced growth driven by improved event attendances and customer spending. 2007 was the first full year of our renewed contract at the redeveloped Melbourne Cricket Ground (MCG). Suncorp Stadium in Queensland and Subiaco Oval in Western Australia also performed well. Across our stadium activities, there has been a positive customer response to our food service brands.

We recently signed a new contract with the Christchurch City Council in New Zealand to 2020 to supply food to the Christchurch Convention Centre, Jade Stadium and Westpac Arena, further cementing a very strong long-term relationship. Yet overall, our New Zealand stadium business had a difficult year largely because of poor attendances across a range of sporting codes.

Our associations with major motor racing events – the Clipsal 500 Adelaide, Formula One ING Australian Grand Prix in Melbourne and Lexmark Indy 300 on the Gold Coast - go back many years. Nearly a million people attend these three events each year, and we employ over 3,200 employees over the three weekends to feed them and deliver a total of 90,000 corporate meals.

Epicure Catering, Food by the MODE Group and Mustard Catering all performed well, with a strong contribution from the stylish Melbourne event venue Zinc at Federation Square. We expect the demand for our boutique event catering to continue.

We have worked hard to rectify the under-performing Perth Convention Exhibition Centre (PCEC), where we operate the centre providing services across venue management, catering, facilities maintenance and cleaning in a long-term contract. Improved financial performance began to flow through in 2007.

Airports

In Australia, our nine airports recorded another year of strong growth supported by increased passenger levels primarily from the expansion of low cost airlines. The success of our core retail outlets, including our internally developed brand Velluto and franchises, have sustained steady growth.

Spotless provides food at six airports in New Zealand and sales were steady during the year. The Auckland Domestic Airport contract was renewed on a non-exclusive basis for eight years, in-line with the expansion of food courts at many airports.

Food for thought

We have always taken pride in providing food that is enjoyed and service that is appreciated.

For years, Spotless has been providing thousands of Australians and New Zealanders with high quality food and superior catering services at sports stadiums, major events, workplaces and factories, education and care institutions, function centres and at cafes and airports.

Spotless also impresses guests at many high profile and special events through our boutique catering brands - Epicure Catering, Food by the MODE Group and Mustard Catering.

Workplace cafes

Our partnership with Caltex head office in Sydney is a true success story. Signed over 50 years ago, Caltex was Spotless' first catering contract. Spotless assisted Caltex in opening a new modern-design cafe for 600 of its employees, where we continue our close relationship.

We won workplace cafe contracts for staff catering at Air New Zealand's engineering centre and Heinz Wattie's Limited in New Zealand.

Education

Australian education retail operations were boosted by major new contracts at Queensland University of Technology and Southbank TAFE in Brisbane.

Within the New Zealand tertiary education sector, we won a contract at the Wintec Institute of Technology in Hamilton, adding to the large contract at Massey University in Palmerston North, which was mobilised last year.

We are working closely with the education market to develop on-campus catering and retail food services that appeal to students and school communities. This includes healthier food, good variety and presentation that students can enjoy.

Cleaning Services

Our Cleaning Services business is one of the largest in Australia and New Zealand. A lack of appropriate management focus on the single-service cleaning market in recent years has meant that we have not fully capitalised on our strong market position. In 2007-08, cleaning will be run as a separate and dedicated business with greater focus on the cleaning market and customers.

New Zealand

In New Zealand the 2007 result was impacted by cost inflation. This was somewhat offset by new contracts and the purchase of four regional cleaning businesses to expand our national network. We have a portfolio of quality, major customers - many that we work for on a national basis. For example, we clean every ANZ National Bank branch across New Zealand.

Our reputation for efficiency in contract mobilisation was illustrated during the year when Spotless was appointed to clean at New Zealand's biggest shopping centre, Sylvia Park. Our quality service during the opening stages of parts of the centre helped us secure this as a permanent contract.

Australia

In Australia, performance in 2007 was characterised by further growth in large-scale contracts, offset by the impact of some lost earnings from exiting smaller cleaning activities. Towards the second half of the financial year we experienced underperforming short-term profitability in a limited number of contracts.

Our cleaning customers include Crown Casino in Melbourne and the New South Wales Department of Education and Training where we clean more than 125 schools.

The commercial cleaning franchise business, Berkeleys Franchise Services Pty Ltd (Berkeleys), has grown steadily since it was launched in 2006 to over 50 franchises across Australia. Berkeleys provides cleaning services to smaller contracted customers under a franchise system managed by Spotless.

Cleaning up where it counts

At the end of every working day another working day begins. Because it's only when all the major companies, schools and factories close down for the day that our work can commence.

Of course, some organisations never shut down, and our work becomes doubly challenging. In hospitals, for example, we work around health workers, patients and visitors so effectively they hardly know we're there.

When thousands of our customers in Australia and New Zealand need their facilities to shine, they rely on us.

For over 50 years Spotless has provided specialised cleaning, housekeeping and ancillary services to all sorts of working environments. We work closely with our customers to keep environments clean and to reduce operating costs and exposure to risk. We provide a flexible labour force, either directly or through our team of dedicated subcontractors and franchisees.

Over 50 years, we have built a reputation for professional, responsive and efficient cleaning. Our customers tell us that with Spotless there is a visible difference.

Laundries

For personal use only

The Laundries business experienced a mixed year with modest growth in Australia, while our New Zealand operations were adversely impacted by rising labour costs from recently introduced legislation.

The benefits of alignment

Our laundries business in Australia, Ensign Services, grew during the year with increased production, efficiency and profits. This outcome is a reflection on the sharper focus and alignment gained by introducing a dedicated laundries management structure.

We continued to build on our investment in water savings through the installation of new water recycling equipment. This will reduce water consumption by up to 35 per cent in three major plants. Increased capacity upgrades providing productivity and safe work practice improvements were made at our laundry in the Australian Capital Territory.

In New Zealand, Spotless owns 66 per cent of the Taylors Group Limited laundry business. Six commercial laundries form Taylors' operations, located in Christchurch, Nelson, Wellington, Hamilton and Auckland. We have implemented a national sales, service and production focus across all laundries.

We invested in capital upgrades to the Christchurch plant and one of our two Auckland plants. The upgrades allow the plants to run for fewer hours, saving energy, water and labour costs and ensure adequate maintenance time. These improvements will deliver benefits such as increased capacity, greater productivity and more effective utilisation of labour and resources. They will also improve the environmental performance of the laundries.

Amongst its range of commercial customers, Taylors supplies international airlines visiting Auckland with fresh blankets, towels and catering linen, as well as shower packs and other speciality items delivered to a rigorous schedule and to the individual specifications of each customer.

A healthy investment

Our business involves much more than supplying and cleaning linen. Hospitals in particular are major customers of our managed linen services. We supply, collect, launder, and deliver clean hospital linen. This includes theatre linen, bed linen, towels and blankets as well as surgical theatre packs.

Meeting quality standards is extremely important. In 2007 Spotless commissioned a new state-of-the art sterilisation plant at our Rosebery facility in New South Wales. Fully compliant to AS:4187 standards, the plant allows us to produce sterilised linen and surgical packs for the operating rooms of our many healthcare customers.

We are what they wear

In Australia we have 13 laundry plants processing linen for healthcare and accommodation customers and specialising in uniform services. We wash and supply uniforms for large supermarket chains, food manufacturing and general industry customers. Our laundries employ 1,300 people and process more than 60,000 tonnes of laundry per annum, balancing fast turnaround with stringent industry standards. Over 13 million garment pieces are processed and supplied to customers each year.

During the year, New Zealand processed nearly 30,000 tonnes of linen and industrial workwear for customers ranging from small workshops to New Zealand's iconic Glenbrook Steel Mill. This production output of washed laundry is equivalent to running 400 domestic washing machines 24 hours a day, 7 days a week. Dry cleaning uniforms for the airline industry and others, including the New Zealand Police, is part of each day's business.

In New Zealand, we supply 14 of the country's 21 health services. A highlight for the year was the renewal of the Auckland Regional District Health Board contract for seven years with an additional three year option for extension, effectively delivering a 10 year planning horizon. This contract represents a significant proportion of Taylors' overall revenue and secures Point Chevalier operations for the foreseeable future.

Logistics secures Woolworths

Distributing linen and uniforms throughout Australia is often challenging. One of our key competitive advantages is our logistics capability. These skills were recognised during the year when we won a major distribution contract with long-standing customer Woolworths. The contract covers the order and distribution of garments to over 100,000 Woolworths and Safeway supermarket employees across 750 stores and facilities using Spotless' e-commerce solutions and logistics infrastructure.

CASE STUDY
DEFENCE

Our country's defence is one of the government's principal responsibilities. Looking after many of the nation's defence facilities is one of ours.

Right now we work in more than 300 defence sites across Australia and New Zealand.

Australia's new Defence Headquarters are underway at Bungendore, in southern New South Wales. This massive Public-Private Partnership project is Australia's equivalent of the Pentagon. In July 2008 we'll commence a comprehensive facilities management program that will run for the next 27 years. This will include maintaining the buildings inside and out, managing utilities and energy, as well as providing cleaning, catering, waste management, security, pest control, fitness centre management and administrative services.

Our diverse range of services doesn't stop there. At defence bases in Western Australia, we rebuild 'towns' that are demolished as part of training exercises. We de-magnetise massive ships. We even pick up the bullet shells at firing ranges. In the Northern Territory, we maintain water, power and fuel services to wharves and cut the grass at airstrips.

In fact, we are the leading supplier of comprehensive maintenance services to the Department of Defence in Australia. We work as an integrated part of the communities we serve, looking after the facilities in eight defence regions across the country. In 2006/07 our defence portfolio achieved a turnover of some $440 million and we're currently ranked the 7th largest contractor to the Department of Defence in Australia.

In New Zealand, our contract to operate and maintain the Trentham Military Camp outside Wellington has been extended for a further two years. We hope to expand our services with the New Zealand Defence Force in the coming years.

Retailer Services

Retailer Services experienced a challenging year with profit significantly affected by historically high raw material costs and adverse foreign exchange rates. Even with these external influences, financial results in 2007 were unacceptable. Changes are already underway with benefits to progressively flow through in 2008 and beyond.

Revenues fell 5.0 per cent in 2007 to $433 million, with higher European sales offset by a decline in USA sales. Adverse foreign exchange translation lowered reported revenues by $16 million when compared with 2006. A key driver of the USA sales performance was a decline in sales within the mass-merchant segment, as the exclusive Wal-Mart hanger contract expired during the year and moved to open supply. This resulted in a volume impact on our business, which was only partially offset by gains elsewhere in Europe and North America. Additionally, sales of intimate apparel hanger products declined compared with the previous year.

EBIT fell 26.2 per cent in 2007 to $27.9 million. Foreign exchange translation adversely impacted reported EBIT by $2.5 million and redundancy costs of $1.3 million were also incurred in 2007.

The resin raw materials and related feed-stocks used to produce plastic-based garment hangers were the subject of significant year-on-year price increases. This is due in part to rising crude oil prices and a skew of resin price inflation in China, where the majority of manufacture is now undertaken.

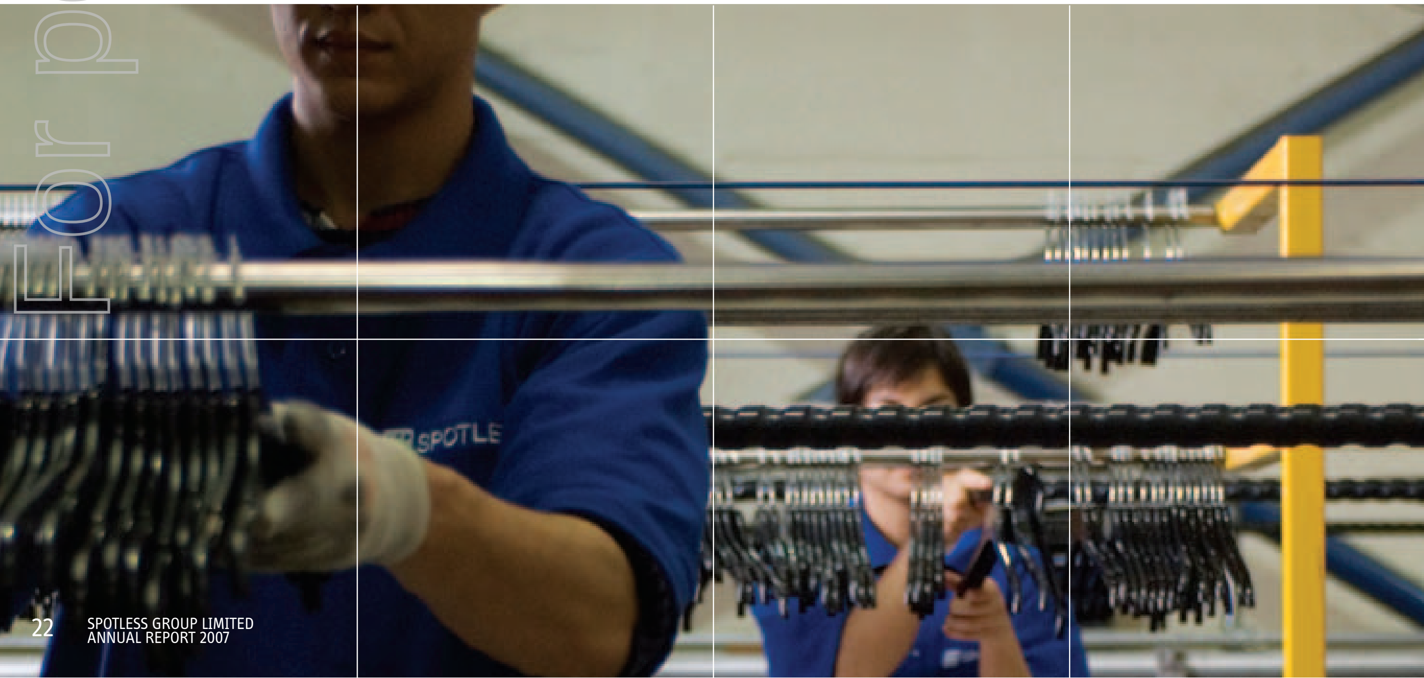
These cost increases affected all participants in our industry and there is a lag to recover input cost increases through price rises and other efficiency initiatives. Higher resin prices unable to be absorbed through selling prices and efficiencies negatively impacted the 2007 result by $2.4 million.

Overview of the business

Retailer Services customers include some of the most widely known brands in the European and North American retail markets. Through the division’s two historic businesses, Plasti-form in North America and Braitrim in Europe, Retailer Services has built an enviable reputation for product innovation and a rapid cycle time to market for new hanger design concepts. We have proactively designed and refined an extensive range of merchandising solutions in conjunction with our retail customers.

We are the world's largest recycler of plastic hangers and operator of re-use programs, with operational footprints in North America, the UK and around the globe. Research and development is advancing, including innovations in hanger composition to minimise resin content and products using resin substitutes such as cellulose. Retailer Services is actively participating in environmentally responsible programs that utilise our recycling and re-use capabilities.

Globalisation is such that the majority of garments sold in Europe and North America are produced by garment manufacturers all around the world. As a result, our customers include thousands of garment manufacturers and our business requires a supply chain and customer service capability spanning multiple geographies, but sufficiently flexible to profitably respond to changing sourcing patterns.



Performance improvement plans

The group-wide performance review has identified a range of internal operating issues and opportunities within Retailer Services.

The review found that the business has not leveraged its scale appropriately, with the inadequate integration of Braitrim since its 2001 acquisition with Plasti-form. Management responsibilities and accountabilities have not sufficiently extended to the keystones of the business in supply chain management, manufacturing and sales. Opportunities to extend our leadership position in re-use and recycling have not been realised.

The review concluded that there were a number of performance improvement opportunities within management control and that responding to these opportunities would generate significant value for shareholders.

Under new management leadership, Retailer Services has a global organisation structure and management accountabilities for global integration to leverage supply, business development, innovation and efficiency benefits. A number of performance improvement projects are underway to deliver improved performance in 2008 and beyond.

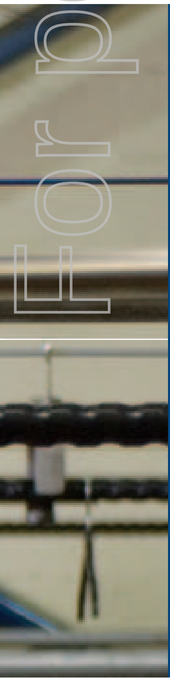
Strong relationships with big names

We supply some of the biggest household names in Europe such as Marks & Spencer, Bhs, Next, C&A, Peacocks, Vogele and Matalan. In the USA, we supply hangers to customers such as Target, where every garment - from underwear to overcoats - is sold on a Spotless hanger.

Our portfolio of customers in the USA has strengthened with the signing of significant contracts with companies such as Dollar General and Hudson Bay-Zellers. In Europe, we secured an important contract with Lindex of Scandinavia and extending our re-use contract with Marks & Spencer significantly bolstered that relationship.

Although our exclusive sole-supplier agreement with Wal-Mart in the USA expired during the year, we have regained a solid amount of that work in the open supply market.

We are the world's largest recycler of garment hangers.



A truly global operation

While some people may not be familiar with the name Spotless, they will know the names of many of our customers, which include some of the world's largest retailers and biggest names in the fashion industry. They trust our Retailer Services division to display garments on hangers in their stores.

Spotless is the world's second largest garment hanger supplier, providing billions of hangers each year to some of the most famous retailers in Europe and the USA.

The Retailer Services business – which provides integrated garment solutions to retailers and garment manufacturers around the globe – grew out of the original Spotless business of dry cleaning and the desire to become adept at supplying hangers for the storage, transport and display of garments.

With approximately 1,200 employees, Retailer Services operates in about 20 countries and produces hangers and associated products such as labels, swing tickets and security tags.

Most of our hangers are manufactured in China, but there are more than a dozen other countries where we either make or license the manufacture of hangers. We own the patents on many of the hanger styles and designs we make.

In the UK and USA, Spotless has large operations reprocessing millions of used hangers. These returned hangers are cleaned and re-packed, ready to be used again. Other items such as metal clips and hooks are also recycled. Unusable hangers are shredded and ground back down to the base resin, which is then used to make new hangers.

Environment

The enormous variety of services Spotless provides across the world presents us with a responsibility and opportunity in relation to the environment. We've been very active in improving the environmental impacts of our business. We have worked with our customers, governments and other environmental organisations to develop initiatives and programs that can help us make a real difference together.

Reaffirming our commitment

Our Environmental Policy was reviewed during the year and a revised policy was confirmed in April 2007. The policy builds on our existing commitments and provides a systematic approach for environmental management across Spotless, having regard to sustainability, preventing pollution and continual improvement in environmental performance.

During the year, we also progressed the development of an Environmental Management System that meets the requirements of the International Standard ISO 14001:2004 in Australia. This will provide a framework to help deliver our policy, manage our environmental risks and improve our environmental performance.

Identifying efficient opportunities

In accordance with our requirements under the Australian Government's Energy Efficiency Opportunities Act, we are developing a five year Energy Efficiency Assessment and Reporting Schedule that is due for submission in December 2007.

We are taking a whole-of-business approach to identifying and assessing energy use and savings opportunities. This builds on the work we have already commenced in developing more sustainable utilisation of resources such as water and energy.

Investing in water savings

During the year, we worked with water authorities in Australia and New Zealand to identify significant savings through our investment in the latest water saving technology for our laundries.

Supported by the New South Wales Government's Water Savings Fund, three custom-designed Aquamiser systems have been installed to reclaim water and waste heat from our laundry washing equipment at Ensign's Rosebery and Punchbowl plants and also at the Abbotsford laundry in Victoria. The project will save an estimated 100 million litres of water a year and reduce energy use by 5 per cent.

In 2006, our Murdoch laundry in WA was declared a Waterwise Business by the WA Water Corporation in recognition of a 50 per cent reduction in water consumption.

In New Zealand, we invested in significant capital upgrades in two Taylors commercial laundries at Christchurch and Auckland. The upgrades allow the plants to run for shorter amounts of time during the day, saving on both energy and water.

We are also investing in installing water recycling technology for wastewater and rainwater at our Kensington depot in Melbourne, to achieve estimated water savings of 2.5 million litres of water per annum.

Buying green pays off

In-line with Spotless' commitment to the sustainable use of resources, from July 2006 Spotless in Australia began buying a portion of green energy. Green energy is generated from renewable sources such as wind, solar, hydro-electric and landfill biomass. Green energy is much cleaner than traditional electricity, with significant reductions in greenhouse gas emissions.

Spotless has used more than 1,174 MWhr of green energy. This has saved over 1,337 tonnes* of greenhouse gases being emitted from 1 July 2006 to 1 May 2007, which is equivalent to taking approximately 297 cars off the road.

** Calculated using the methodologies of the Australian Greenhouse Office Factors and Methods Workbook.*

Driving fuel efficiencies

In September 2006, Spotless moved to a new vehicle maker for its Australian fleet. This has seen the progressive replacement of the fleet with more fuel-efficient vehicles, which will deliver environmental benefits and cost savings.

In our major street sweeping contract with Melbourne City Council, we are currently trialling bio-diesel blended fuels in equipment and vehicles.

Helping build a more sustainable Australia

As we continue to build our presence in total facilities management and particularly in the important Public-Private Partnership market, Spotless recognises that environmentally friendly building design and operation is of increasing importance to the community and to our customers. To enhance our technical capability in this area, Spotless has become a member of the Green Building Council of Australia.

Setting a world standard in recycling

Spotless is the world leader in hanger recycling and re-use. In the UK and USA, we have major plants that process millions of used hangers. The returned hangers are cleaned and re-packed, ready to be used again. Hangers that cannot be re-used are ground back down to the base resin, and used to make new hangers. Other items such as metal clips and hooks are also recycled.

Our Barnsley plant in the UK won the prestigious Barnsley Business Environment Award this year for its outstanding commitment to the sustainability agenda.

Spotless has a responsibility and opportunity to make a real difference to the environment. We have been innovative and active in making what we do work better for the environment.

Putting Plan A to work

Case Study – Marks & Spencer

Spotless is partnering with British retailer Marks & Spencer as part of its Plan A program to tackle critical issues like combating climate change, reducing waste and preserving natural resources. As part of Plan A, Spotless and Marks & Spencer are working together to encourage the re-use and recycling of clothes hangers. Now, when a customer buys a piece of clothing from a Marks & Spencer store, the hanger is placed in a Plan A box at the counter. The boxes are collected by Spotless and sent to our recycling plant in Barnsley where hangers are cleaned and re-packed or re-ground to produce new hangers. The innovative initiative operates at all 375 Marks & Spencer stores throughout the UK. This is a great example of Spotless working with its customers and the communities in which it operates to address issues affecting business and the world.

People and Community

Our 31,000 employees around the world bring a huge range of skills and qualities to Spotless.

In many ways, our employees are a mirror of the customers to whom we provide our many and varied services. They reflect an enormous geographic and demographic spread, as do the communities in which we operate and support.

In an extremely competitive employment market at all levels, we need to improve the way we engage with our people to provide opportunities and career development.

Developing talent

We have significantly increased our number of apprenticeships and traineeships in Australia over the past 12 months. More than 1,300 people are in traineeships with Spotless learning a variety of skills. This is part of a structured approach to introduce and develop new talent, which will help to secure our future success.

Embracing diversity and flexibility

Our key values of teamwork, respect, leadership, accountability and courage continue to drive the way Spotless employees work together in an environment of inclusiveness and equality that embraces diversity.

Spotless is a people business – inside and out

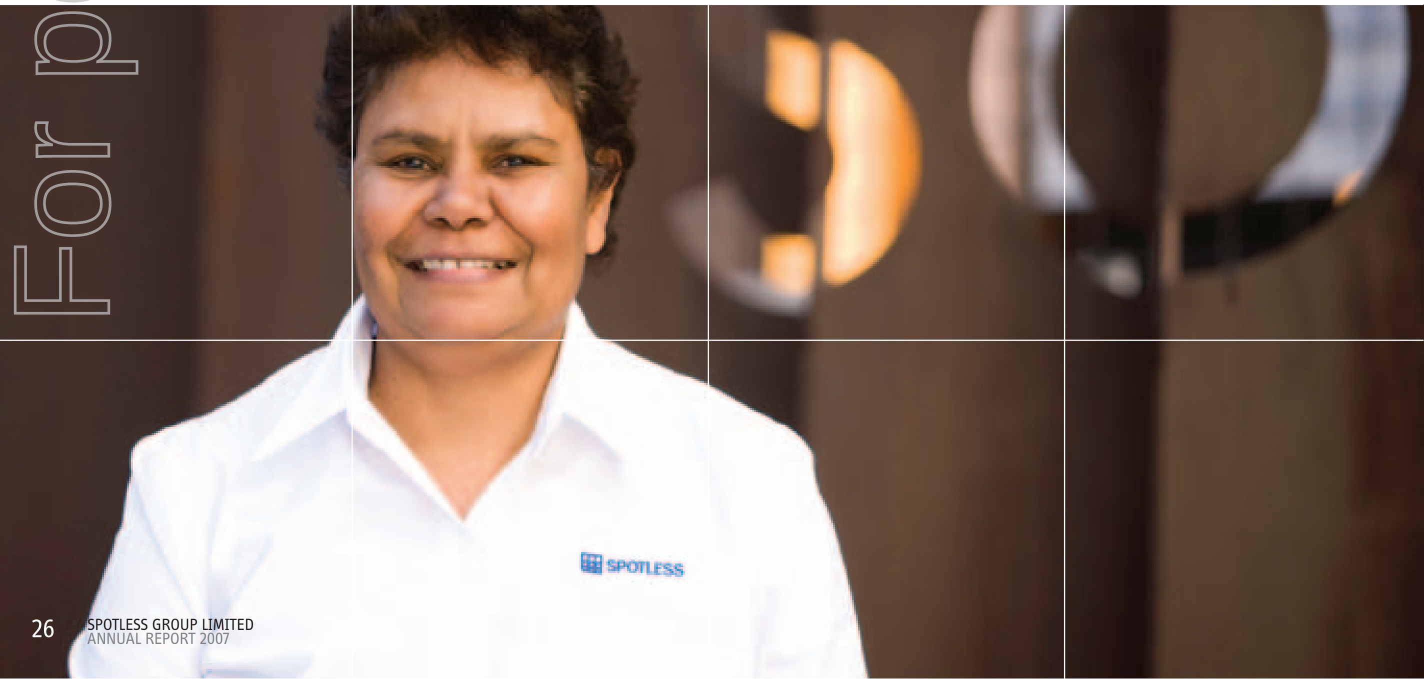
The services we provide to customers depend on our people.

It's these people who arrange the complex logistics of distributing clean linen to hospitals and uniforms to workers. People who put the finishing touches on a meal, make sure buildings are clean, or keep kidney dialysis machines ticking over effectively. It is people who maintain and support entire communities.

Our customers all over the world depend on people like that. And so do we.

Spotless is a member of the Corporate Business Indigenous Leadership Program and is committed to improving the employment prospects of Aboriginal and Torres Strait Islander people. We currently have 60 people working with us through this program and our target is to reach 140 Indigenous employees in 2008. In partnership with the Department of Employment and Workplace Relations, we are using our geographical scope and business reach to offer employment opportunities to Indigenous Australians.

In a number of workplaces, such as our Murdoch laundry in Western Australia and the RAAF base in Laverton Victoria, Spotless also works to provide regular employment to people with physical and intellectual disabilities.



Giving back

Community commitment

We believe strongly in our responsibility to give back to the communities in which we work. We actively support this through fundraising, employee participation and involvement with not-for-profit organisations. We support around 50 charities and dozens of other education and community groups.

We do this not only because we believe in these projects, but because it is motivating for our people. It's important to widen our horizons, and to embrace the wider community.

We also see it as an obligation as a large and successful Australian company to show leadership in this area.

Juvenile diabetes

Spotless has long supported the Juvenile Diabetes Research Foundation since 1992. Our close association continues, with more than 1,000 employees walking in a fundraising event last year. Our people raised over $75,000 and Spotless contributed a further $75,000 through sponsorship.

Helping disadvantaged youths

Whitelion provides opportunities and community support for young people involved, or at risk of involvement, in the Juvenile Justice System or out-of-home care. This is achieved through role modelling, mentoring, employment and Indigenous programs, outreach services, and through prevention programs run in rural and metropolitan communities.

Spotless employs a number of young people through Whitelion and we also support fundraising activities.

Supporting our people supporting others

Spotless runs a formal fundraising program with employees in Australia to raise money for selected charities throughout the year. This program now supports 17 charities.

Our people are the foundation for our ongoing success. They make the complex simple and the seemingly impossible happen.

Reaching the people who need it most

Case Study – Salvation Army, New Zealand

In New Zealand last year we initiated a program in support of the Salvation Army. At Christmas we replaced corporate gifts with a donation to the Salvation Army's Christmas food program. The outcome was humbling, with widespread support from our customers and employees. We look forward to expanding the assistance we can provide to the Salvation Army again this Christmas.

Safety

Our workplaces are vast and varied, from huge mining sites in outback Australia, large hospitals and sporting stadiums in capital cities, to a school tuckshop - and everything in between. Our people around the world perform a huge variety of tasks and services, often at our customers' sites.

No matter where our people are located, they are working together to promote our focus on safety so that it becomes a natural part of the way we do business every day. We are committed to making sure that everyone on a Spotless site is safe and to reducing workplace injuries through appropriate investment, education, standards and policies.

Strengthening our commitment to safety

Two years ago we introduced the safety@spotless program in Australia, with similar programs in New Zealand and the Retailer Services business globally. Essentially, we believe in five core safety beliefs:

- All injuries can be prevented.
- Everyone is responsible for injury prevention.
- Working safely is a condition of employment.
- No site induction, no start.
- If it isn't safe, don't do it.

The aim of our safety program is simple: to make sure that each day, every one of our 31,000 employees enjoys a safe day's work and returns home unhurt. Sadly however, we must report that there was one fatality during the year under exceptional circumstances.

Risks are a living reality

On 9 March 2007, a Spotless employee died and a number were injured as Cyclone George passed through the Pilbara region of Western Australia. The employee concerned was a resident at the Fortescue Metals Group Rail Camp One which is located approximately 100 kilometres south-east of Port Hedland.

The WA Coroner and WorkSafe WA are investigating the causes and circumstances surrounding the death and other injuries and Spotless is assisting with the investigation.

This occurrence reinforces the need to continuously consider the safety of our people in all the circumstances that could arise in their employment with Spotless.

Protecting our people, our communities, and our business

Safety is a priority at Spotless. We work in places where there can be significant risks, such as kitchens, mining operations, hospitals, defence force sites, workshops and industrial laundries. We deal with the classic contributors of accidents and injuries - heat, sharp objects, heavy equipment, electricity and lifting.

We go to significant lengths to make sure our employees are aware of the risks and are educated and supported to avoid dangerous situations. However, if an injury does occur, we investigate the causes fully and take steps to make sure it cannot happen again. Safety for us is more than rules and procedures. It is about protecting our people, our customers and the communities in which we work. It is about caring for each other. When we do that, we are also looking after our business.

Walking the talk

Creating a safety culture requires everyone to understand, commit and participate. It also requires leadership. Our executives and managers are focused on communicating the importance of safety by being involved, responsive and visible.

Our commitment to safety has also been reinforced at Board level, where an Occupational Health, Safety & Environment Committee has been formed to oversee the improvement of Spotless' safety performance.

Management accountability is critical for the successful implementation of safety initiatives within our business. All accidents or occurrences of injury are reviewed by management teams to ensure causes are properly investigated and corrective actions are taken swiftly and effectively to rectify all areas of risk.

Education and engagement

During the year we continued to invest in a number of initiatives to support our safety targets. Many were aimed at improving education and training as well as communication on injury prevention, which is a major challenge given the number of employees working in a variety of situations and our diverse geographical spread.

Some of our key initiatives and achievements during the year included:

- Development of Learning SPOT, an online safety learning centre.
- Introduction of compulsory Job Safety Skills training for managers and supervisors. More than 2,500 managers and supervisors received compulsory training on the six most common workplace hazards.

- More than 800 managers completed training on investigating and effectively managing safety incidents using a new online incident reporting and investigation management reporting system.
- Specific safety plans were established at all major sites to address key operational risks.
- In May 2007 more than 2,000 sites were involved in our second Spotless Safety Week. 15,000 employees participated in a week-long program of competitions, awards and activities designed to strengthen our people's safety focus, understanding and engagement.

No compromise on commitment

While there has been a positive trend downwards during the year, we acknowledge that overall the level of injuries is still too high and much work remains to be done to embed our safety culture.

Safety is a major focus for Spotless' management team. We are setting aggressive safety targets across the board and raising awareness in the areas of avoiding injuries and identifying risk. We will continue to work tirelessly and with even greater focus and commitment in the coming year to improve the safety of our people.

Our key areas of focus for the next 12 months include:

- Ongoing improvement to the quality of our safety program and compliance globally including inductions, training, inspections, risk assessment, planning, investigating and reporting.
- Making management accountable for implementing change and ensuring safety communication is understood and acted upon at every level.
- Placing greater focus on sites undergoing significant changes such as mobilisations, closures, expansions or renovations. Traditionally, these changes have posed safety challenges and injury risks.
- Expanding and improving our safety audit program.

The safety of our people and everyone with whom we work is crucial to being the best at what we do.

At Spotless, safety is not negotiable.

It does work

Case Study – Ensign Caloundra

Our Ensign laundry in Caloundra, Queensland, is a success story that demonstrates what a total commitment to safety can achieve.

When Spotless acquired the laundry in 2001, the workplace lacked a strong safety focus. Injury frequency rates were high, especially those resulting in lost time. Since then, our team has worked hard to make safety a priority, which has resulted in a remarkable drop in injuries at the site. Injuries requiring medical treatment dropped from a total of nine in 2005/06 - to four this year, with no lost time injuries.

This was achieved by practising all the key elements of our safety@spotless program. That is - management leadership, responsiveness, risk identification and rectification, communication, training and recognition of the right behaviours.

This experience shows that our safety program works and excellent results can be achieved with focus and commitment.

Group Executive Management Team

Chief Executive Officer,
Retailer Services

Group General Manager,
Strategy & Development

Jo Farnik

Group General Manager,
Food Services

Tim Sexton

Managing Director &
Chief Executive Officer

Peter Wilson

Managing Director,
Spotless Services NZ

David Geor

Chief Financial Officer

André Carstens

Group General Manager, Cleaning Services

Melos Sulicich

Group General Manager, Laundries

John Bishop

Group General Manager, Managed Services

Peter Lamell

Company Secretary & Group General Counsel

Michael Givoni

Group General Manager, Procurement

Chris Anderson

Group General Manager, Human Resources

Jeff Pearce

Board of Directors

Peter J Smedley

BCom, MBA FAICD

Date of Appointment as a Director

8 December 2006

Date of Appointment as Chairman

9 February 2007

Skills, Expertise and Experience

Peter was appointed a Non-executive Director of Spotless Group Limited on 8 December 2006 and was subsequently appointed Chairman of the Board on 9 February 2007.

Peter brings to Spotless extensive commercial experience and knowledge gained through his current and previous roles. Peter is currently the Chairman of OneSteel Limited and Care Australia and Deputy Chairman of The Colonial Foundation. He is also a Director of Care International, the Australian Ballet and the Australian Davos Connection.

Peter was formerly the Managing Director and Chief Executive Officer of Mayne Group Limited, the Colonial Group Limited and Chairman of the State Bank of New South Wales and a Director of Shell Australia Limited.

Board Committee Memberships

Governance & Nominations (Chairman)

Strategy (Chairman)

Human Resources (Member)

Listed company Directorships outside of Spotless Group Limited during the last three years

Current Directorships:

OneSteel Limited –
Director since 23 October 2000

Assessment of Independence

The Board has determined that Peter Smedley is an independent Director for the purposes of the ASX Best Practice Recommendations.

Peter A Wilson

BEc, DipAppChem

Date of Appointment as a Director

13 March 1984

Skills, Expertise and Experience

Peter has been an executive of Spotless since 1976 and a Director since 1984. He joined the company as General Manager of Retailer Services (formerly the Plastics division) and progressed through various senior roles in the group. In 1994 Peter became Chief Executive Officer of Retailer Services, based in the USA.

Peter was appointed Managing Director of the Spotless Group of Companies on 1 January 2004. Peter is also a Director of Taylors Group Limited, a company listed on the New Zealand Stock Exchange.

Board Committee Memberships

Strategy (Member)

Listed company Directorships outside of Spotless Group Limited during the last three years

Current Directorships:

Taylors Group Limited (listed on the New Zealand Stock Exchange) - Director since 29 February 2004

Former Directorships:

Windswept Environmental Group Inc. - Director from 29 October 1999 to 4 July 2005

Assessment of Independence

The Board has determined that Peter Wilson is not an independent Director for the purposes of the ASX Best Practice Recommendations.

Geoffrey T Ricketts

LLB (Hons)

Date of Appointment as a Director

8 July 1996

Skills, Expertise and Experience

Geoff was appointed a Non-executive Director of Spotless Group Limited on 8 July 1996. Geoff is a Consultant to Russell McVeagh Solicitors of New Zealand and has extensive legal expertise and commercial experience.

Geoff's current Directorships include Lion Nathan Limited (Chairman), Suncorp-Metway Limited and Taylors Group Limited.

Board Committee Memberships

Human Resources (Chairman)

Audit, Finance & Risk (Member)

Strategy (Member)

Listed company Directorships outside of Spotless Group Limited during the last three years

Current Directorships - Australian companies (dual-listed on the New Zealand Stock Exchange)

Lion Nathan Limited –
Director since 13 June 1988

Promina Group Limited –
Director since 14 February 2003

Suncorp-Metway Limited –
Director since 20 March 2007

Taylors Group Limited (listed on the New Zealand Stock Exchange) –
Director since 13 January 1992

Assessment of Independence

The Board has determined that Geoffrey Ricketts is an independent Director for the purposes of the ASX Best Practice Recommendations.

Mark E Elliott

LLB, BCom, FFin

Date of Appointment as a Director

11 October 2002

Skills, Expertise and Experience

Mark was appointed a Non-executive Director of Spotless Group Limited on 11 October 2002. As a former partner of Minter Ellison, Mark specialised in corporate and securities law. Mark was also a Director and Legal Counsel of Computershare Limited.

Mark is a Director of a number of companies including Ellendale Resources NL.

Board Committee Memberships

Audit, Finance & Risk (Member)

Governance & Nominations (Member)

Strategy (Member)

Listed company Directorships outside of Spotless Group Limited during the last three years

Current Directorships:

Ellendale Resources NL – Director since 11 May 2007

Former Directorships:

Magna Pacific (Holdings) Limited – Director from 26 November 2003 to 14 August 2007

Assessment of Independence

The Board has determined that Mark Elliott is an independent Director for the purposes of the ASX Best Practice Recommendations.

Bronwyn K Morris

BCom, FCA FAICD

Date of Appointment as a Director

23 May 2007

Skills, Expertise and Experience

Bronwyn was appointed a Non-executive Director of Spotless Group Limited on 23 May 2007. Bronwyn is a Chartered Accountant and a former Partner of KPMG. Bronwyn's expertise and interest in the areas of audit and risk management are of significant benefit to Spotless and have resulted in Bronwyn being appointed a Member of the Audit, Finance & Risk Committee.

Bronwyn's current roles include Director of Queensland Investment Corporation, Stanwell Corporation Limited, Care Australia and Brisbane Marketing Pty Ltd. Bronwyn also serves on the Australian Advisory Council of Parsons Brinckerhoff and is a Councillor of Bond University. She is a former Chairman of Queensland Rail and also a former Director of Colorado Group Limited.

Board Committee Memberships

Audit, Finance & Risk (Member)

Occupational Health, Safety & Environmental (Member)

Listed company Directorships outside of Spotless Group Limited during the last three years

Former Directorships:

Colorado Group Limited – Director from 31 October 1999 to 15 February 2007

Assessment of Independence

The Board has determined that Bronwyn Morris is an independent Director for the purposes of the ASX Best Practice Recommendations.

Dean A Pritchard

BE, FIE Aust, CP Eng, FAICD

Date of Appointment as a Director

23 May 2007

Skills, Expertise and Experience

Dean is a Civil Engineer and is currently a Director of Zinifex Limited, OneSteel Limited and Eraring Energy. He is also the Chairman of Steel & Tube Holdings Limited, a company listed on the New Zealand Stock Exchange.

Previously, Dean served as Chairman of ICS Global Limited, as a Director of RailCorp and as Chief Executive Officer of Baulderstone Hornibrook.

Board Committee Memberships

Occupational Health, Safety & Environmental (Chairman)

Human Resources (Member)

Listed company Directorships outside of Spotless Group Limited during the last three years

Current Directorships:

OneSteel Limited – Director since October 2000

Zinifex Limited – Director since March 2004

Steel & Tube Holdings Limited (listed on New Zealand Stock Exchange) – Director since May 2005

Former Directorships:
ICS Global Limited - Director from June 1999 to June 2007

Assessment of Independence

The Board has determined that Dean Pritchard is an independent Director for the purposes of the ASX Best Practice Recommendations.

Board of Directors

David G Davis
Solicitor (retired) AETI

Date of Appointment as a Director:
1 September 2000

Skills, Expertise and Experience
David was appointed a Non-executive Director of Spotless Group Limited on 1 September 2000. David has over 40 years of corporate experience, which includes being Managing Director of The Permanent Trustee Company Limited and National President and State President (NSW) of the Trustee Corporations Association.

David has particular interest in the conduct and profitability of publicly listed companies. His expertise extends to the selection and monitoring of investments of all classes in fiduciary capacities.

David is also a Director of the Foundation for National Parks and Wildlife.

Board Committee Memberships
Audit, Finance & Risk (Member)

Human Resources (Member)

Occupational Health, Safety & Environmental (Member)

Listed company Directorships outside of Spotless Group Limited during the last three years
Current Directorships:

Van Eyke Three Pillars Limited - Director since 29 October 2003

Assessment of Independence
The Board has determined that David Davis is an independent Director for the purposes of the ASX Best Practice Recommendations.

Lawrence B O'Bryan
BCom

Date of Appointment as a Director
1 September 2000

Skills, Expertise and Experience
Lawrence (Lawrie) was appointed a Non-executive Director of Spotless Group Limited on 1 September 2000. Lawrie has extensive financial experience which spans across the North American, Asian, Australian and New Zealand regions. He has held a number of senior financial roles including Vice President Finance Asia Pacific with WR Grace & Co.

Lawrie's experience in the area of finance has resulted in him being appointed Chairman of the Audit, Finance & Risk Committee.

Board Committee Memberships
Audit, Finance & Risk (Chairman)

Governance & Nominations (Member)

Listed company Directorships outside of Spotless Group Limited during the last three years
Nil

Assessment of Independence
The Board has determined that Lawrence O'Bryan is an independent Director for the purposes of the ASX Best Practice Recommendations.

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Corporate Governance

for financial year ended 30 June 2007

The Board of Spotless Group Limited is committed to achieving effective and prudent corporate governance practices for the Spotless Group of companies. Spotless supports the Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" and in this report, sets out its compliance with these recommendations.

The governance practices detailed in this report were in place throughout the reporting period, unless otherwise described in the report.

As a result of ongoing review and improvement processes, the governance practices set out in this report, while current as at the date of this Annual Report, may be altered in future. Updates will be posted to the Investor Centre on the Spotless website (www.spotless.com) as appropriate, and/or reported in the next Annual Report.

Role of Directors

The Spotless Board is responsible for the overall corporate governance of the Company. The Board Charter defines the primary role of the Board as to ensure the Company's long-term health and prosperity by seeking above average financial and non-financial performance while managing risks faced by the Company.

The Board carries out this role through the exercise of the following functions:

- selecting and appointing the Managing Director and setting the remuneration and conditions of employment for the role;
- setting and reviewing objectives, goals and strategic direction for the Company with a view to maximising shareholder value;
- authorising an annual budget and supervising financial performance;
- overseeing the establishment of adequate controls and appropriate monitoring of financial and non-financial compliance;
- ensuring the establishment of high business standards, ethical conduct and fostering a culture of compliance and accountability; and
- promoting the Company to, and communicating effectively with, key stakeholders to assist them in understanding the Company's priorities, goals and strategic direction.

The Managing Director is responsible for day-to-day decision making and ensuring the implementation of Board-approved strategy.

In addition to the Board Charter, Spotless operates under a strict regime of delegated authority levels, determined by the Board, which set out the limits of authority for management.

Management are regularly involved in discussion with the Board at Board meetings. In addition, Directors have opportunities for contact with management and other employees, including opportunities to visit Spotless operations.

Board Appointments

All Directors have received formal letters of appointment setting out the key terms, conditions and expectations of their appointment.

The induction of new Directors is overseen by the Chairman. In addition to receiving briefings from the Chairman, new Directors are provided with materials that outline their obligations and rights as individual Directors and as members of the Board. They are also provided with information and briefings from management to support and assist them in understanding Spotless and its operations.

Board Composition and Independence

The Spotless Board consists of eight Directors. Details of each Director's qualifications, directorships of other listed companies within the past three years, experience and other responsibilities are given on pages 32 to 34. The Board comprises an appropriate mix of skills to provide the breadth and depth of knowledge and experience necessary to meet its objectives and responsibilities.

The Board regularly assesses the independence of all Directors. Each Non-executive Director has been assessed by the Board as an independent Director. The Board considers that an independent Director is a Non-executive Director who;

- is not a substantial shareholder of the Company (as defined by s.9 of the *Corporations Act 2001*) or officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or other Group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provider;
- is not a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a Director of the Company;
- has not served on the Board for a period the length of which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Directors must ensure that they disclose any material contract or relationship in accordance with the *Corporations Act 2001* and Spotless policies. Details of any such matters are set out in the financial statements.

Board Evaluation

The Governance and Nominations Committee facilitates the review of Board and Committee performance. This Committee examines the Board's composition and achievements, and makes recommendations to the full Board regarding the appropriate mix of skills and experience at the Board table from time to time.

A review of Board performance in meeting stakeholder expectations was conducted by the Board during the reporting period, led by the Chairman. The Chairman discussed individual Director performance with each Director during the reporting period.

Remuneration

A detailed Remuneration Report is included as part of this Annual Report. The report details the basis of remunerating Directors, management and employees.

Information regarding Non-executive Director and senior management remuneration is contained in the Remuneration Report at pages 43 to 53.

Independent Professional Advice

In the proper performance of their duties, Directors are entitled to obtain independent professional advice at the expense of the Company following the approval of the Chairman. Any such advice is provided to all Directors.

Board Committees

During the year the Board conducted a review of its operation and structure. As part of this review, the duties and responsibilities of the Board Committees were reassessed and;

- the responsibilities related to the Insurable Risk Committee and Audit Committee were transferred to the newly formed, Audit, Finance and Risk Committee;
- the responsibilities of the Remuneration Committee and the Corporate Governance Committee were expanded into the Human Resources Committee and Governance and Nominations Committee, respectively;
- the Finance and Development Committee was restructured into the Strategy Committee; and
- a new Committee, the Occupational Health, Safety and Environment Committee was formed.

Each Committee has a new Charter adopted by the Board as part of the restructuring process. The Charters are contained on the Spotless website.

In addition to these Committees, from time to time the Board may delegate powers to special purpose Committees created in accordance with the Company's Constitution.

A table showing the number of Board and Committee meetings held during the reporting period, together with attendances at those meetings, is set out at page 42.

The Managing Director and relevant senior management may be invited to attend Committee meetings at the request of the Committee.

Details of the Committees are as follows;

Strategy Committee

The Strategy Committee's role is to assist the Board in fulfilling its responsibilities relating to the supervision of any significant acquisition, development or divestment opportunities, and providing guidance to management during negotiations as necessary. In addition, the Committee assists the Board in supervising the development and implementation of the corporate strategy for the Company.

The current members of the Strategy Committee are:

- P J Smedley (Chairman);
- M E Elliott;
- G T Ricketts; and
- P A Wilson.

Governance and Nominations Committee

The Governance and Nominations Committee's role is to advise the Board on the Company's governance processes and policies and recommend changes to the Board as appropriate, assess the necessary and desirable competencies of Board members, assist the Board in the selection and appointment of Board members, review Board (including Managing Director) succession planning and ensure that there is an appropriate process for evaluation of the Board.

The Chairman of the Board chairs the Committee.

The current members of the Governance and Nominations Committee are:

- P J Smedley (Chairman);
- M E Elliott; and
- L B O'Bryan.

Audit, Finance and Risk Committee

The role of the Committee is to assist the Board in fulfilling its responsibilities relating to the statutory obligations under the *Corporations Act 2001* and relevant accounting standards with respect to financial statements and internal controls.

All members of the Committee are independent, in accordance with the Board approved definition of independence, and the Chairman of the Committee is not the Board Chairman.

The responsibilities of the Committee are to:

- review the annual and half yearly accounts with the external auditors, review whether audits have been conducted effectively and that the accounts are presented fairly in accordance with Australian Accounting Standards and the *Corporations Act 2001* and report thereon to the Board as appropriate;
- review all significant accounting policy changes and where appropriate, recommend them to the Board;
- monitor and report to the Board on the framework, adequacy and security of internal control, accounting and management information systems;

- monitor the working relationship between the internal and external audit functions and provide an open communication channel between internal and external auditors and the Board;
- ensure adequate audit coverage for all major financial risks of the business and report to the Board on any issues arising from this coverage;
- approve the internal audit risk assessment and related audit plan;
- review internal and external audit reports to ensure that, where significant deficiencies in controls or procedure have been identified, management takes prompt remedial action and reports to the Board as appropriate;
- review, and in the case of external audit, agree fees and recommend to the Board on the appointment or replacement of the auditors. For internal audit, recommend to the Board the appointment of internal auditors;
- monitor the engagement of the external auditors to undertake non-audit services where the company will accept the auditor's performance of the engagement;
- assess the performance and independence of external auditors and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
- assess the performance and (where appropriate) the independence of internal auditors;
- monitor and report to the Board on relevant tax matters (including tax compliance procedures);
- review post implementation audits of major capital projects;
- monitor funding commitments and availability;
- assess and review the business risk process including major customer contracts, product liability, operational risk etc; and
- review major non-financial regulatory matters through the use of a compliance monitoring and reporting regime, which covers the following areas of exposure:
  - asset and income protection (including both general and workers compensation insurance)
  - trade practices
  - conflict of interest
  - discrimination and harassment
  - ethical standards.

The current members of the Audit, Finance and Risk Committee are:

- L B O'Bryan (Chairman)
- G T Ricketts;
- B K Morris;
- M E Elliott; and
- D G Davis.

Human Resources Committee

The Human Resources Committee is chaired by an independent Director and all Committee members are independent.

The Committee's role is described in the Remuneration Report on page 43.

The current members of the Human Resources Committee are:

- G T Ricketts (Chairman);
- D A Pritchard;
- D G Davis; and
- P J Smedley.

Occupational Health, Safety & Environment Committee

The Committee's role relates to occupational health, safety and environmental matters. In this respect, it is responsible for:

- reviewing all significant policies and changes thereto and, where appropriate, recommending them to the Board;
- monitoring and reporting to the Board, as appropriate, on the adequacy of management systems;
- monitoring and reporting to the Board, as appropriate, on the adequacy of performance and compliance;
- ensuring adequate internal and external audit coverage for all major risks and reporting to the Board on any issues arising from this coverage;
- reporting to the Board specifically on work cover and related management processes; and
- reporting to the Board specifically on any other significant health, safety and environment issues.

The current members of the Occupational Health, Safety & Environment Committee are:

- D A Pritchard (Chairman);
- D G Davis; and
- B K Morris.

Ethics and Conduct

Spotless recognises that its reputation is paramount in the development of the Company. The Board believes an ethical culture is essential for the Company and is committed to uphold the highest standards of corporate and personal conduct. To facilitate this ethos of ethical behaviour, the Board has approved a Code of Ethics and Conduct to provide a framework by which all Spotless employees can operate.

This Code outlines the required standard of conduct to which all officers, including Directors, managers and staff (collectively "employees") must adhere and commits staff to high standards of conduct and compliance with the law.

Under the Spotless Code, all employees are required to:

- comply with the law;
- act honestly and with integrity;
- not place themselves in situations that may create conflicts of interest;
- use Spotless' assets responsibly and in the best interests of Spotless; and
- be responsible and accountable for their actions.

Dealing in Company Shares

If any employee has material, non-public, price-sensitive information about the Company, that person is prohibited from trading in Company shares. Directors and senior management may only trade in the Company's shares during nominated trading periods. These periods are of 30 days' duration and follow the Company's announcements of interim and full year profits, and the Annual General Meeting.

For the avoidance of doubt, Directors and senior management are required to advise the Chairman or his delegate before trading in Company shares, even within the trading period.

The Company's policies prohibit speculative financial transactions and hedging transactions over Company shares.

Chief Executive Officer and Chief Financial Officer Certificate

Spotless has internal processes and procedures that have been implemented to manage financial integrity and business, operational and legal compliance risks. These processes are supervised by the Audit, Finance and Risk Committee.

The Chief Executive Officer and Chief Financial Officer have certified to the Board prior to signing the financial statements that:

- the financial statements for Spotless Group Limited for the year ended 30 June 2007 present a true and fair view, in all material respects, of the Group's financial condition and operational results, are in accordance with the relevant accounting standards and are based on financial records that have been properly maintained;
- the above statement is founded, in all material respects, on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

This certificate, as well as the supervision by the Audit, Finance and Risk Committee, have enabled the Board to approve the Company's financial statements for the year ended 30 June 2007.

External Audit

The external audit of Spotless is governed by the following policy:

- the external auditors must clearly demonstrate their independence;
- the external auditors must not provide services which are in conflict with the role of the auditor unless the prior approval of the Audit, Finance and Risk Committee is obtained;
- the quality of the audit must be reviewed annually;
- the lead audit partner must be rotated at the end of a period no longer than five years;
- the appropriateness of putting the audit to tender must be reviewed at the end of a period no longer than five years; and
- the services and fees provided by the external auditors must be fully disclosed.

The Audit, Finance and Risk Committee is responsible for overseeing the implementation of this policy.

The external auditor attends the Annual General Meeting to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Continuous Disclosure

The Board is committed to providing timely and relevant disclosure to the market and other stakeholders, and Spotless has a clearly defined Continuous Disclosure policy. This policy sets out the obligations requiring the Board and management to immediately inform the nominated Disclosure Officer of any potentially disclosable information. The policy outlines the responsibilities of the Board, management, the Disclosure Manager and Disclosure Officer.

Procedures are in place to support the policy, including periodical and immediate reporting protocols. Responsibility for managing the policy rests with the Company Secretary.

Shareholder Communications

The Board is committed to transparent and honest communication with shareholders.

In recognition of the fact that shareholders may choose to access Company information electronically, Spotless has provided corporate information on its website (www.spotless.com).

Prior period annual reports are available from the Investor Centre on the Spotless website, together with historical media releases and current and historical Australian Stock Exchange announcements.

If you do not have access to this material on the website, please contact the Company Secretary to arrange a copy of this material to be sent to you. Contact details are set out on page 101.

The Annual General Meeting provides an important opportunity for shareholders to express views and discuss Board proposals. Shareholders are encouraged to attend the Annual General Meeting.

Director's Report

for financial year ended 30 June 2007

Your Directors are pleased to present their report for the financial year ended 30 June 2007. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The following people were Directors of Spotless Group Limited during the entire financial year and up to the date of this report unless otherwise stated:

- Peter J Smedley (appointed a Director on 8 December 2006 and Chairman on 9 February 2007);
- Brian S Blythe (retired as Chairman on 9 February 2007 and as a Director on 9 March 2007);
- Peter A Wilson;
- John J Bongiorno (retired as a Director on 30 June 2007);
- Geoffrey T Ricketts;
- David G Davis;
- Mark E Elliott;
- Ronald B Evans (passed away 9 March 2007);
- Ian G McMullin (retired as a Director on 15 November 2006);
- Lawrence B O'Bryan;
- Dean A Pritchard (appointed a Director on 23 May 2007); and
- Bronwyn K Morris (appointed a Director on 23 May 2007).

Details of the Directors qualifications, experience and responsibilities are set out on pages 32 to 34.

Judith O'Sullivan resigned as Company Secretary on 27 October 2006.

John Bongiorno was appointed Company Secretary on 27 October 2006 and resigned on 30 June 2007.

Michael Givoni was appointed on 1 July 2007, having previously worked as Executive General Manager Corporate Affairs in Spotless Australian Services division.

Principal activities

The principal activities of the Spotless Group of companies during the financial year ended 30 June 2007 were the provision of an extensive range of services and products to Business, Industry, Healthcare, Education, Resources, Government and Leisure activities in Australia and New Zealand and to garment based Retailers and Manufacturers throughout the world.

Consolidated Results and Review of Operations

The net amount of consolidated profit of the Spotless Group of companies for the financial year after income tax expense and outside equity interests was $47.3 million (2006 $61.8 million).

A review of the operations for the Spotless Group of companies and the results of those operations for the year ended 30 June 2007 are set out in pages 4 to 23 of the 2007 Annual Report.

Dividends

The amounts set out below have been paid by the Company during the financial year or have been declared by Directors but not paid during the financial year up to the date of this report.

	Franking	Dividends	Total
	%	cents / share	paid / payable $m
Final 2006 Dividend (paid 22 September 2006)	60%	12.5	26.7
Interim 2007 Dividend (paid 24 March 2007)	40%	10.5	22.6
Final 2007 Dividend (payable 12 October 2007)	47%	10.5	22.7

The entire unfranked portion of the dividend is 'conduit foreign income'. Accordingly the unfranked portion payable to non-residents which would otherwise be subject to 15% non-resident shareholder's tax is exempt from that tax.

Changes in state of affairs

The Directors are not aware of any significant change in the state of affairs of the Spotless Group of companies that occurred during the financial year.

Subsequent events

There has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Spotless Group of companies, the results of those operations, or the state of affairs of the Spotless Group of companies in future financial years.

Future developments

The likely developments in the Consolidated entities operations are referred to in the reviews contained in pages 4 to 23. The Directors believe, on reasonable grounds, that reporting further information, including expected future results, would unreasonably prejudice the interests of the Spotless Group of companies.

Options granted to Directors and Senior Executives

No options were granted during the year ended 30 June 2007.

Options over share capital

Unissued shares subject to options at the date of this report and shares issued pursuant to exercised options during or since the end of the year are set out in Note 27 to the financial statements.

Environmental Regulation

Spotless is committed to the protection of the environment and takes its role in the community very seriously. Measures undertaken in fulfilling our obligations and participation in client and Government initiatives is encouraged in addition to the efforts made by the Company in its programs.

A detailed environmental report is contained on pages 24 and 25 of the 2007 Annual Report.

Indemnification of Officers

The Company's Constitution allows the company to indemnify Directors and officers against liability which results from their serving as a director or officer of the Company, subject to certain provisos.

During the year ended 30 June 2007, the Company paid a premium for insurance covering all Directors and officers of Spotless Group Limited and all controlled entities. The events covered by this policy is in respect of amounts that the Director or officer has become legally obliged to pay resulting from claims made during the policy period for loss caused or alleged to be caused by a wrongful act committed by a Director or officer while acting in that capacity. The contract of insurance prohibits disclosure of the limit of the indemnity or the amount of the premium.

During the year ended 30 June 2007, the Company reviewed its deed of indemnity, insurance and access with its Directors and entered into a new deed that was approved by shareholders at the 2006 Annual General Meeting. The executive officers of the Company and its subsidiaries are also entitled to the benefits of the deed.

Deeds of indemnity, insurance and access have previously been entered into by the Company with other current and former Directors, under which similar provisions apply.

No amount has been paid pursuant to those indemnities in the year ended 30 June 2007 or since that date to the date of this report.

Non-audit Services

Details of the amounts paid or payable to the Spotless Group Auditors, Deloitte Touche Tohmatsu for non-audit services provided during the year are set out in Note 32.

In accordance with advice provided by the Auditor to the Board, the Directors are satisfied that the provision of non-audit services by Deloitte Touche Tohmatsu is compatible with the general standard of independence for auditors required by the *Corporations Act 2001*.

Auditor's independence declaration

The auditor's independence declaration is included on page 96 of the and 2007 Annual Report.

Proceedings brought on behalf of Spotless

The *Corporations Act 2001* allows members and other specified persons to bring actions on behalf of the Company. There have been no proceedings or applications brought on behalf of the Company pursuant to s.237 of the *Corporations Act 2001*.

Roundings

Spotless Group Limited is a company of the kind referred to in Australian Securities and Investment Commission (ASIC) Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial report have been rounded to the nearest hundred thousand dollars, unless otherwise indicated.

Director's Report

for financial year ended 30 June 2007

Attendance at Board and Committee Meetings between 1 July 2006 to 30 June 2007

	Board		Audit		Corporate Governance		Finance & Development		Remuneration		Insurable Risk	
	Held (a)	Attended	Held (a)	Attended	Held (a)	Attended	Held (a)	Attended	Held (a)	Attended	Held (a)	Attended
B S Blythe	10	8			2	2	4	4				
P A Wilson	13	13					4	4				
J J Bongiorno	13	13	2	2			4	4			1	1
P J Smedley	5	5							2	2		
D G Davis	13	11	2	2					4	4	1	1
M E Elliott	13	11			2	2	4	4	4	4		
R B Evans	10	2					4	-			1	-
I G McMullin	7	5			2	2						
L B O'Bryan	13	13	2	2	2	2					1	1
G T Ricketts	13	11	2	1					4	4		
B K Morris	2	2										
D A Pritchard	2	2										

	Audit, Finance & Risk		Governance & Nominations		Strategy		Human Resources		Occupational Health Safety & Environment	
	Held (a)	Attended	Held (a)	Attended	Held (a)	Attended	Held (a)	Attended	Held (a)	Attended
B S Blythe										
P A Wilson										
J J Bongiorno									2	2
P J Smedley							2	2	1	1
D G Davis	2	2					2	2	2	1
M E Elliott	2	1								
R B Evans										
I G McMullin										
L B O'Bryan	2	2								
G T Ricketts	2	2					2	2		
B K Morris									1	1
D A Pritchard									1	1

(a) Meetings held while a member.

(b) As stated in the Corporate Governance Report, the Board during the year conducted a review of its structure. As a result, responsibilities related to the Insurable Risk Committee and Audit Committees were transferred to the newly formed, Audit, Finance and Risk Committee. Further, the responsibilities of the Remuneration Committee and the Corporate Governance Committee were expanded into the Human Resources Committee and Governance and Nominations Committee respectively. The Finance and Development Committee was restructured into the Strategy Committee. A new Committee, the Occupational Health, Safety and Environment Committee was formed.

(c) A number of ad hoc Committee meetings were held during the year to review specific bids for major contract tenders.

(d) The review of the strategy for the Spotless Group was overviewed by the entire Board.

(The Directors Report continues on page 43)

The Directors of the Spotless Group Limited present the Remuneration Report prepared in accordance with s.300A of the *Corporations Act 2001* for the Company and the consolidated entity for the year ended 30 June 2007.

This Compensation Report forms part of the Directors' Report

The Compensation Report is set out under the following sections:

1. Board Supervision of Compensation and Management Performance;
2. Non-executive Directors' Compensation;
3. Senior Executive and Executive Director Compensation;
4. Relationship between Compensation Policy and Company Performance;
5. Group Executive Management Compensation – Highest Remunerated Executives;
6. Key Management Personnel;
7. Company Secretary; and
8. Employment Contracts.

1. Board Supervision of Compensation and Management Performance

In March 2007 the Spotless Group Board established the Human Resources Committee to replace the previous Remuneration Committee, with extended terms of reference related to the overview of management performance and capability within the Company.

Terms of Reference of the Committee are:

- review the compensation of Non-executive Directors and recommend any changes to the Board;
- advise the Board on compensation policies and practices relating to employees;
- make specific recommendations to the Board on compensation packages, policies and procedures applicable to senior management including recruitment, retention and termination;
- advise the Board in relation to share plans, incentive performance packages and succession planning;
- review processes relating to the identification and development of key high potential employees;
- ensure adequate succession planning is in place; and
- review and recommend superannuation arrangements.

The Human Resources Committee is presently comprised of four independent Non-executive Directors. The Committee meets as necessary but shall meet on at least two occasions per year.

On matters related to compensation and related arrangements for Non-executive Directors, the Managing Director and the direct report executives, the Human Resources Committee makes recommendations to the Board for their final decision.

In recent months the Human Resources Committee has overseen the appointment of five executives to Key Management Positions from outside of the Company in order to strengthen the capability of the company to deliver improved shareholder value.

The Corporate Governance and Nominations Committee is responsible for reviewing Non-executive Director appointments and terms of engagement. It is also responsible for conducting Board skills audits and engaging consultants to find appropriately qualified candidates to fill Board vacancies. During 2007 search firms were engaged to assist the Company appoint three new Non-executive Directors.

Further information on the role of the Corporate Governance and Nominations Committee will set be out in the Corporate Governance Report contained in the 2007 Annual Report.

2. Non-executive Directors' Compensation

Non-executive Directors means non-employee Directors of Spotless Group Limited. This phrase includes both "independent" and "non-independent" directors as defined by Spotless and as set out in the 2007 Corporate Governance Report.

The Human Resources Committee engages external remuneration consultants for independent advice and market comparative data to assist in the determination of appropriate compensation and related arrangements for Non-executive Directors. This advice takes into consideration the level of fees paid to Board members of other comparable Australian corporations, the size and complexity of the Company's operations, the activities of the Company, and the responsibilities and workload requirements of the Board members.

Non-executive Directors' base compensation is not linked to Company performance in a way that would detract from their independence and impartiality. However, the newly appointed Non-executive Directors have committed to take a portion of their annual fee as shares to provide an "at risk" component of their compensation. The other Non-executive Directors can elect to do so (Refer Long Term Component of Non-executive Directors' Compensation page 44).

Remuneration Report

for financial year ended 30 June 2007

Directors' Fees and Allowances

At the 2003 Annual General Meeting, shareholders approved $1,250,000 as the maximum aggregate amount of annual Non-executive Directors' fees.

Non-executive Directors of Spotless receive their annual fee for their service on the Board and on Committees. Although there is provision in the Constitution for Directors to be paid for extra services or special exertion, they are not paid a separate fee for accepting the role of Committee Chairman or for participation on Committees. All Directors sit on at least one Committee.

Pursuant to the terms of the Company's Constitution, Directors are entitled to be paid or reimbursed for all travelling and related expenses connected with their attendance at Board or Committee meetings, or when conducting other business of the Company.

Long Term Component of Non-Executive Directors' Compensation

From 9 February 2007 Non-executive Directors were offered a long-term component of fees that forms part of the total amount of annually declared Directors' compensation. This long-term component is not paid directly to the Director but applied (excluding any mandatory statutory superannuation contributions), to an on market purchase of shares in the Company. The amount has been accrued during the year with the purchase of shares occuring at the trading windows available under the Company's policy on dealing in Company shares. The shares purchased are held on behalf of each respective Director under the terms of the Company's Non-executive Director share plan until retirement from the Board of Directors. Dividends in respect of these shares are paid at the time that the dividends are paid to shareholders. In this way, the value of the entitlements under the long-term component of Non-executive Director fees to be received upon retirement is tied directly to the market performance of the Company.

The cost of acquiring shares is expensed at the time of purchase in the accounts of the Company. This ensures that the cost of providing the long-term component impacts accounts annually.

Retirement Benefits (Discontinued Scheme)

The Company's Constitution provides for the payment of a retiring allowance to Non-executive Directors who have held office for more than 60 months (5 years). Full entitlement was achieved after 120 months (10 years) with pro-rata entitlement between 60 and 120 months. In 2006 the Board determined that the Non-executive Directors' retiring benefit would be discontinued from 1 July 2006.

It was agreed at the 2006 Annual General Meeting that the accrued entitlements of each Non-executive Directors' retiring benefit would be held by the Company until the Director ceased office. Interest continues to accrue on a monthly basis on these balances and is included in the Non-executives Directors' Compensation Report as "Prescribed Benefits".

Mr I G McMullin retired as a Non-executive Director on 15 November 2006 and was paid $306,738.

Mr B S Blythe and Mr R B Evans were not participants in the Retirement Benefits scheme.

The provision for the Directors' retiring allowance is set out in the table below (refer Note 19 to the financial statements):

	Accrued Benefit 1 July 2006	Interest earned	Amount paid	Accrued Benefit 30 June 2007
	$	$	$	$
D G Davis	210,000	13,180	-	223,180
M E Elliott	110,000	6,903	-	116,903
I G McMullin	300,000	6,738	(306,738)	-
L B O'Bryan	210,000	13,180	-	223,180
G T Ricketts	297,500	18,672	-	316,172
	1,127,500	**58,673**	**(306,738)**	**879,435**

Non-executive Directors' Compensation

		Short Term Employment Benefits		Post-Employment Benefits		Equity	Total
		Salaries & fees (vii)	Non-monetary Benefits (ix)	Superannuation (x)	Prescribed Benefits (viii)	Share based payment	
P J Smedley (i)	**2007**	**101,850**	**2,250**	-	-	**50,650**	**154,750**
	2006	-	-	-	-	-	-
B S Blythe (ii)	**2007**	**185,485**	**4,500**	**9,515**	-	-	**199,500**
	2006	187,861	6,099	12,139	-	-	206,099
D G Davis	**2007**	**30,000**	-	**100,000**	**13,180**	-	**143,180**
	2006	-	-	100,000	38,415	-	138,415
M E Elliott (iii)	**2007**	**119,266**	-	**10,734**	**6,903**	-	**136,903**
	2006	91,743	-	8,257	110,000	-	210,000
R B Evans (iv)	**2007**	**89,450**	**4,500**	**8,050**	-	-	**102,000**
	2006	91,743	6,099	8,257	-	-	106,099
I G McMullin (v)	**2007**	**58,592**	-	-	**6,738**	-	**65,330**
	2006	125,980	-	-	39,588	-	165,568
B K Morris (vi)	**2007**	**14,445**	-	**1,789**	-	**5,433**	**21,667**
	2006	-	-	-	-	-	-
L B O'Bryan	**2007**	**29,817**	-	**100,183**	**13,180**	-	**143,180**
	2006	91,743		8,257	38,415	-	138,415
D A Pritchard (vi)	**2007**	**14,445**	-	**1,789**	-	**5,433**	**21,667**
	2006	-	-	-	-	-	-
G T Ricketts (vii)	**2007**	**130,000**	-	-	**18,672**	-	**148,672**
	2006	100,000	-	-	38,916	-	138,916
Total Compensation Non-executive Directors	**2007**	**773,350**	**11,250**	**232,060**	**58,673**	**61,516**	**1,136,849**
	2006	689,070	12,198	136,910	265,334	-	1,103,512

(i) *Mr P J Smedley was appointed a Non-executive Director on 8 December 2006 and elected Chairman of the Board effective 9 February 2007.*

(ii) *Mr B S Blythe retired as the Chairman of the Company effective from 9 February 2007 and retired as a Director of the Company effective 9 March 2007.*

(iii) *A Company associated with Mr M E Elliott was paid consulting fees of $325,000 during 2007. These fees were paid to represent the Company in the Barkly Street legal matter as well as professional services incurred in relation to Director recruitment. These payments are included in Note 28 "Related Party Disclosures" in the financial statements.*

(iv) *Mr R B Evans passed away on 9 March 2007.*

(v) *Mr I G McMullin retired as a Non-executive Director of the Company on 15 November 2006.*

(vi) *Ms B K Morris and Mr D A Pritchard were appointed Non-executive Directors effective 23 May 2007.*

(vii) *Non-executive Directors of Spotless Group Limited receive a flat annual fee for their service on the Board and Committees of $130,000 inclusive of superannuation (2006 - $100,000). Mr G T Ricketts receives $NZ50,000 (A$43,702) as Chairman of Taylors Group Limited, a 66.01% owned subsidiary.*

(viii) *Prescribed benefits in 2007 represent interest earned on amounts owing to Non-executive Directors who were part of the discontinued Non-executive Directors Retiring Allowance Benefits Scheme (refer page 44 Retirement Benefits (Discontinued Scheme) for further detail). The amounts shown for 2006 are the Retiring Allowance accruals for the year.*

(ix) *Non-monetary benefits include car parking and motor vehicle allowances.*

(x) *Spotless contributes to a range of superannuation and pension benefit schemes on behalf of the Non-executive Directors. These contributions reflect the statutory requirements and Superannuation requirements of the Non-executive Directors. Spotless does not operate its own superannuation fund and is therefore not exposed to any potential funding deficiencies in contributions.*

3. Senior Executive and Executive Director Compensation

Compensation Policy and Principles

The Human Resources Committee has reviewed the Compensation Policy for senior executives against the new strategic objectives set for the company and has endorsed a framework for the management of executive compensation which:

- links an increased proportion of executive reward to the creation of sustainable value for shareholders;
- rewards those who deliver superior performance;
- attracts, recognises and fosters top talent;
- provides rewards that are competitive within the global markets in which the Company operates;
- provides fair and consistent rewards, benefits and conditions within an integrated company environment.

Within this framework executive compensation is managed on the basis of Total Reward, which is made up of fixed annual compensation, "at risk" short term incentive (STI) and "at risk" long term incentive (LTI). Details of each of the components are set out below.

New employment agreements are being secured with executives as a consequence of the reorganisation and to incorporate the above components of compensation and related terms and conditions.

Compensation Structure

Details of the three components of Total Reward for senior executives are:

(i) **Fixed Compensation** provides a base level of compensation that is appropriate to the responsibilities, skills, experience and performance that the executive brings to the role and is competitive in the market place.

(ii) **Short-term Incentives** (STI) are bonuses granted on the achievement of annual KPI performance and/or divisional deliverables.

(iii) **Long-term Incentives** (LTI) accrue from participation in the Spotless Group Securities Plans.

Fixed Compensation

Fixed compensation is the aggregate of the various forms of benefit provided to the executive on an ongoing basis. The predominant part of fixed compensation is base salary and executives are able to apply flexibility in the use of non-cash benefits such as superannuation, motor vehicle leases and salary sacrifice, within relevant taxation office guidelines.

The value of the benefits included in fixed compensation is set out under the heading of "non-monetary benefits" later in this report.

Fixed compensation is reviewed annually or at the time of significant change in responsibility for individual positions. To assist in the general compensation review process the company seeks independent advice from external compensation consultants. The Human Resources Committee sources separate advice from external compensation consultants on senior executive compensation.

Short-Term Incentives

The short-term incentive component is based on the achievement of agreed financial, business and safety objectives over the 12 months of the business year.

The awards for the 2008 short-term incentive are based on a market competitive percentage of fixed annual compensation for the achievement of target results, with the potential for an incentive award of up to a maximum of two times the target percentage for superior performance.

The incentive criteria for the Managing Director and senior executives are set by the Human Resources Committee at the commencement of the business year and the incentive awards (if applicable) are approved by the Committee at the end of the year dependent on the full years results. For both 2007 and 2008 the performance criteria are related to the business plans with emphasis on profit measures, cash and project delivery.

Based on Spotless performance for 2007 the Human Resources Committee determined that no short-term incentive payments were approved/payable for the year.

Long-Term Incentives

During 2007 the Company had three long-term incentive plans in place, the Spotless Group Securities Plan, the Share Option Plan and the Performance Share Plan.

3. Senior Executive and Executive Director Compensation (continued)

Spotless Group Securities Plan

This share plan was approved by shareholders in 1997. Executives and Executive Directors were invited to join the plan and were required to enter into a matching loan agreement with the Company for the issue of shares in accordance with the Securities Plan Rules. These loans are shown at Note 14 to the financial statements.

After executing a loan and security agreement in accordance with the Plan Rules, participants were offered a loan to enable the issue price of shares to be paid. These loans were used as subscription monies on allocation of the shares. The employees receive dividends as they are declared, however they are not permitted to dispose of the shares until any outstanding loan amount is repaid. The loan is interest-free.

It is important to note that the loan amount is fixed at the issue value regardless of a rise or fall in the market price of the underlying shares. The loan must be repaid following the termination of employment with Spotless.

For example, a participant is issued 1,000 employee shares at $5.00 each. The Company provides a loan for $5,000 to the participant. If the participant ceases to be employed by Spotless, and the share price has fallen to $4.50 in the meantime, the participant must still repay the Company the total loan amount of $5,000.

During 2007 450,000 shares were issued to executives in two parcels; 350,000 shares on 18 September 2006 at an issue price of $4.42 and 100,000 shares on 29 March 2007 at an issue price $4.62. In 2007, a total of $14,127,833 Security Plan loans were repaid by one Director and nine executives. All of these loans concerned were repaid in full.

The Plan has now been closed to further allocations, but remains in place for the management of the securities and loans on issue.

Share Options

Based on common practice when the Options Plan was introduced in 2002, the options issued under the Plan do not have specific performance criteria to be met prior to the beneficial vesting of options. Options have a five year life, are generally exercisable after three years, and lapse five years after the date of grant. Options do not carry voting rights and do not give any entitlement to dividends. If the share price is less than the option exercise price at the time the option becomes exercisable, there is no benefit to the employee option holder.

There is no loan associated with options granted under the Plan Rules.

In limited circumstances, such as in the case of a rights or bonus issue of shares, or a reconstruction of issued capital, the Plan Rules allow for the Board to adjust the option exercise price. Such adjustment must be fair and equitable and is subject to the *Corporations Act 2001* and the Australian Stock Exchange Listing Rules. No such adjustment has been made.

No share options were issued in the year 2007, and the Plan is closed to further allocations but remains in place for the management of options still on issue.

Two Spotless employees are the holders of 300,000 options, which are due to expire in March 2008.

Performance Share Plan

In the 2006 Compensation Report it was disclosed that the introduction of a Performance Share Plan was proposed. The Plan provided for annual grants of performance rights to be made based on a three year performance period; with entitlement to vest only in the event participants achieve their targets at the end of the three year period. At the time it was intended that the performance measures would be weighted 50% on Earnings Per Share and 50% on individual business unit Earnings Before Interest & Tax targets.

After further consideration of the key strategic financial objectives for the Spotless Group, the Human Resources Committee has determined that the criteria shall focus directly on shareholder value i.e.: Earnings Per Share (EPS) and Relative Total Shareholder Return (RTSR).

Vesting for 75% of each grant of Performance Rights will be based on EPS criteria related to growth over three years. The EPS growth required and the potential awards are set out in the following table.

Performance Period 3 Years	12% per annum Compound Growth Achieved	10% per annum Compound Growth Achieved	6% per annum Compound Growth Achieved
Vesting Rate (Potential Award)	100% of EPS Component	75% of EPS Component	50% of EPS Component

Vesting for 25% of each grant of Performance Rights will be based on RTSR criteria measuring the relative return to shareholders based on the share price movement and dividends paid compared to other entities in the ASX 100 to 200 companies. The relative return to shareholders and the potential awards are set out in the following table

Performance Period 3 Years	Spotless Group is positioned at the 75th percentile of RTSR	Spotless Group is positioned at the 50th percentile of RTSR
Vesting Rate (Potential Award)	100% of RTSR Component	50% of RTSR Component

For performance between the minimum and maximum vesting targets, vesting shall be on a straight line sliding scale.

No grants were made under the Performance Share Plan in 2007. The Human Resources Committee is presently finalising the grants of Performance Rights to be made to senior executives under the Plan in 2008 in conjunction with the new employment agreements associated with the Company reorganisation. The Managing Director will not be included in the intended participants under the Plan due to the expiry of his fixed term contract prior to the three year vesting date.

3. Senior Executive and Executive Director Compensation (continued)

The number of securities that can be issued pursuant to the Plans must not exceed 10% of the issued capital of the Company (issued capital as at the date of this report is 215,953,624 hence the maximum securities which may be issued under the Plans is 21,595,362. As at the date of this report, there are 7,383,711 securities on issue under the Plans being 3.6% of issued capital).

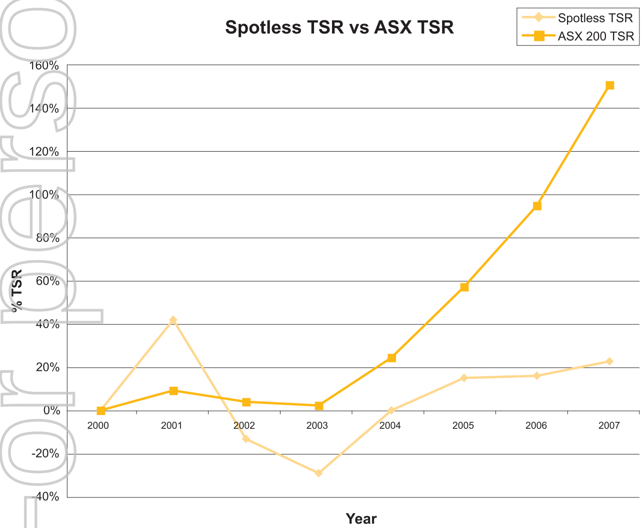
Expatriate arrangements

A number of senior executives are expatriates of Australia and other countries in which the Group operates. External advice is sought by the Company on the appropriate salary benchmarks and living allowances that should be paid to expatriate executives in line with the Company's compensation policy.

The living allowance amounts paid to executives in addition to base salary are shown in the "Group Executive Management Compensation – Highest Remunerated Executives" table of this report under the heading "Expatriate Costs".

4. Relationship between Compensation Policy and Company Performance

Over recent years the Company has underperformed as evidenced by Spotless Total Shareholder Return (TSR) compared to the ASX 200 companies in the following graph.



The effect of the under performance on the "at risk" component of Spotless executive compensation is a decline in the value of Incentive Plan awards each year since 2004, culminating in the decision for 2007 that no Incentive Plan awards be paid as the performance criteria were not achieved.

Similar effects arise with the Spotless Equity Plans for previously issued options and shares which were due to vest in 2007. All options which were due to vest in 2007 lapsed as the exercise price was higher than the share price at the end of the exercise period. Loan shares issued under the Securities Plan are at or below the price at which the shares were originally purchased with the loans.

Executive Directors and Senior Executives – Retirement Benefits

Spotless contributes to a range of superannuation and pension benefit schemes on behalf of its employees throughout the jurisdictions in which Group companies operate. These schemes reflect the statutory requirements and/or local market practice of the countries in which Spotless employs the employee.

Spotless does not operate its own superannuation fund and is therefore not exposed to any potential funding deficiencies in contributions to a defined benefit fund. In Australia, contributions are made on behalf of employees to externally managed funds at the compulsory superannuation rate of 9% (up to a statutory maximum of $12,139 for 2007) as determined by law.

5. Group Executive Management Compensation – Highest Remunerated Executives

		Short Term Employment Benefits				Post Employment Benefits		Equity Component - Long Term Incentive		Total
		Base Salary	Bonus (iii)	Non-monetary Benefits (iv)	Expatriate Costs (v)	Termination payments (ii)	Superannuation	Grant Date	Options (i)	
Group Executive										
R J Johnston (ii) CEO Services Australia	**2007**	**678,726**	-	**41,000**	-	**761,014**	**42,385**		-	**1,523,125**
	2006	429,642	100,000	41,099	-	-	36,758		-	607,499
M T Wilcox (ii) Former Director Asia, Retailer Services	**2007**	**229,169**	-	**1,398**	**317,002**	**470,833**	-		-	**1,018,402**
	2006	336,000	-	-	457,760	-	-		-	793,760
P W Solomon (ii) Former National GM, Business & Institutional, Services Australia	**2007**	**240,129**	-	**19,154**	-	**680,198**	**21,833**		-	**961,314**
	2006	-	-	-	-	-	-		-	-
R Feist GM Global Technical and Supply Sourcing	**2007**	**453,261**		**44,000**	**377,877**	-	**18,000**	**18/3/03**	**50,000**	**943,138**
	2006	334,816	50,000	43,624	473,905	-	17,631	18/3/03	50,000	969,976
S F Gouldson Exec V P Sales & Marketing Retailer Services	**2007**	**783,917**	-	**39,161**	-	-	**23,415**		**-**	**846,493**
	2006	769,334	50,000	33,449	-	-	8,429	21/11/01	377,567	1,238,779
M R Nicholson CEO Retailer Services	**2007**	-	-	-	-	-	-		-	-
	2006	500,000	80,000	-	375,000	-	-		-	955,000
Total Group Executive Compensation	**2007**	**2,385,202**	-	**144,713**	**694,879**	**1,912,045**	**105,633**		**50,000**	**5,292,472**
	2006	2,369,792	280,000	118,172	1,306,665	-	62,818		427,567	4,565,014
Company Executive										
J O'Sullivan Company Secretary	**2007**	**71,053**	-	**10,173**	-	**167,006**	**4,229**		-	**252,461**
	2007	207,866	-	25,000	-	-	12,139		-	245,005

5. Group Executive Management Compensation – Highest Remunerated Executive (continued)

(i) Further details of the terms and conditions of the options are contained in Note 27 to the financial statements. No specific performance criteria are required to be met prior to the beneficial interest vesting in the individuals. Fair value is estimated on a binomial option pricing model. For options issued with a grant date of 18 March 2003, the model takes into account the $5.00 exercise price, the life of the instrument to 19 March 2008, the underlying share price of $4.28 and its expected volatility of 30.5% and a risk-free interest rate of 5.3% for the life of the option. For the options issued with a grant date of 9 May 2002 the model takes into account the exercise price of $6.30, life of the instrument to 9 May 2007, the underlying share price $4.46 and its expected volatility of 32%, expected dividend yield of 5.0% and the risk-free interest rate of 6.27% for the life of the option. (As stated in Note 3(x) equity settled share based payments granted after 7 November 2002 are measured at fair value at date of grant). For options issued with a grant date of 21 November 2001 the model takes into account the $5.00 exercise price, the life of the instrument to 21 November 2006, the underlying share price of $4.90 and its expected volatility of 32.2%, the expected dividend yield of 5.0% and a risk-free interest rate of 5.6% for the life of the option.

Mr S Gouldson was allocated options in November 2004 with an annual fair value of $149,958. The options lapsed in November 2006 as the share price was less than the exercise price.

Mr P Wilson was allocated options in May 2005 with an annual fair value of $300,694. The options lapsed in May 2007 as the share price was less than the exercise price.

(ii) Mr M Wilcox was provided with a termination payout when his contract was prematurely terminated. The payment was based on the seniority, experience and intellectual capital held by the executive consistent with practice in the USA. The termination arrangement also included a contractual prohibition from working for a competitor of Spotless for a defined period.

Due to the restructure of Services Australia Mr P Solomon left the company in January 2007, and his related payment is reflected in the table.

Due to the June 2007 organisation's restructure Mr R Johnston left the company, and his related payment is reflected in the table.

(iii) Short-term incentives are determined based upon performance in earning profits for the Group, influence on future earnings, and performance in their specific areas of responsibility. Further information regarding executive short-term incentives is set out on page 46 and following.

No short-term incentive payments were made for 2007.

(iv) Non-monetary benefits include car parking and motor vehicle allowance.

(v) Expatriate costs relate to overseas postings which include accommodation, family travel and allowances.

6. Key Management Personnel

Key Management Personnel are those individuals having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (Executive or otherwise). Included in the Key Management Personnel Report are executives who report to the Managing Director and are members of the Group Executive Committee for both the 2007 and 2008 years.

Set out below is the compensation for Key Management Personnel for 2007 and 2006.

Key Management Personnel		Short Term Employment Benefits				Post Employment Benefits		Equity Component – Long Term Incentives			Total
		Base Salary	Short Term Incentives (10)	Non-monetary Benefits (11)	Expatriate Costs (12)	Termination Payments	Superannuation & Prescribed benefits	Grant Date	Options / Other (13)	Share based payments (14)	
P A Wilson Executive Managing Director	**2007**	**1,188,004**	-	**92,584**	-	-	**101,134**		-	-	**1,381,722**
	2006	1,188,311	-	93,362	-	-	100,587	21/11/01	350,650	-	1,732,910
J J Bongiorno (1) Executive Director Finance & Admin	**2007**	**418,402**	-	**6,000**	-	-	**105,113**		-	-	**529,515**
	2006	385,099	50,000	21,747	-	-	100,587		-	-	557,433
M R Nicholson (3) CEO Retailer Services	**2007**	**550,000**	-	-	**150,000**	-	-		-	-	**700,000**
	2006	500,000	80,000	-	375,000	-	-		-	-	955,000
R J Johnston (2) CEO Services Australia	**2007**	**678,726**	-	**41,000**	-	**761,014**	**42,385**		-	-	**1,523,125**
	2006	429,642	100,000	41,099	-	-	36,758		-	-	607,499
D M Geor CEO Services New Zealand	**2007**	**458,876**		**43,702**	-	-	-		-	-	**502,578**
	2006	407,444	40,744	40,744	-	-	-		-	-	488,932
T J Sexton (5) Nat. GM Food Services Aust	**2007**	-	-	-	-	-	-		-	-	-
	2006	103,582	15,000	10,452	-	-	30,000		-	-	159,034
A Carstens (6) Chief Financial Officer	**2007**	**79,983**	-	**7,514**	-	-	**9,302**		-	-	**96,799**
	2006	-	-	-	-	-	-		-		-
J Farnik (7) Group GM Strategy, Development & Communications	**2007**	**67,091**	-	**6,833**	-	-	**5,504**		-	-	**79,428**
	2006	-	-	-	-	-	-		-	-	-
C Anderson (8) Group GM Procurement	**2007**	**87,979**	-	**1,823**	-	-	**10,632**		**172,859**	-	**273,293**
	2006	-	-	-	-	-	-		-	-	-
J W Pearce (9) Group GM Human Resources	**2007**	**5,517**	-	**67**	-	-	**2,000**		-	-	**7,584**
	2006	-	-	-	-	-	-		-	-	-
P W Solomon (4)(5) Nat GM, Bus. & Inst. Services, Serv. Australia	**2007**	-	-	-	-	-	-		-	-	-
	2006	218,200	20,000	18,049	-	-	15,000		-	-	271,249
Total Compensation of Executive Directors & Senior Executives of the Company & the Group	**2007**	**3,534,578**	-	**199,523**	**150,000**	**761,014**	**276,070**		**172,859**	-	**5,094,044**
	2006	3,232,278	305,744	225,453	375,000	-	282,932		350,650	-	4,772,057
Total Compensation of Non-executive Directors	**2007**	**773,350**	-	**11,250**	-	-	**290,733**		-	**61,516**	**1,136,849**
	2006	689,070	-	12,198	-	-	402,244		-	-	1,103,512
Total Compensation of Key Management Personnel of the Company & the Group	**2007**	**4,307,928**	-	**210,773**	**150,000**	**761,014**	**566,803**		**172,859**	**61,516**	**6,230,893**
	2006	3,921,348	305,744	237,651	375,000	-	685,176		350,650	-	5,875,569

Remuneration Report

for financial year ended 30 June 2007

6. Key Management Personnel (continued)

Notes:

1. Mr J Bongiorno retired as an Executive Director of the Company on 30 June 2007.
2. Due to the recent restructure the position Chief Executive Officer Spotless Services Australia is no longer required. Mr R Johnston has left his employment with the Company effective 30 September 2007.
3. Mr M Nicholson elected to retire as Chief Executive Officer Spotless Retailer Services effective 1 August 2007.
4. Mr P Solomon left the company on 12 January 2007.
5. The amounts shown for Mr P Solomon and Mr T Sexton for 2006 relate to the part of the year they were required to be included as Key Management Personnel under the accounting standards definitions.
6. Mr A Carstens was appointed as Chief Financial Officer on 24 April 2007.
7. Mr J Farnik was appointed Group General Manager – Strategy, Development & Communications on 16 April 2007 and appointed as Chief Executive Officer Spotless Retailer Services effective 23 July 2007.
8. Mr C Anderson was appointed as the Senior Procurement Manager on 12 March 2007 and appointed as Group General Manager Procurement on 23 July 2007. On his initial appointment Mr Anderson was issued with 50,000 Spotless Group Shares through the Spotless Security Plan. The value of this issue has been determined as $172,859.
9. Mr J Pearce was appointed Group General Manager Human Resources on 26 June 2007.
10. Further information regarding executive short-term incentives is set out on page 46 and following. No short-term incentive payments were made in 2007.
11. Non-monetary compensation includes car parking and motor vehicle allowances and salary sacrifice benefits within relevant taxation office guidelines. Mr Wilson is entitled to a family reunion allowance of $40,000 per annum for the cost of travel for his family, part of whom reside in the USA.
12. Expatriate costs relate to overseas postings and include accommodation, family travel and allowances. These costs are met by the Company so that the individual is not disadvantaged by accepting an international transfer in the interests of the Company.
13. Further details of the terms and conditions of the options are contained in Note 27 to the financial statements. No specific performance criteria are required to be met prior to the beneficial interest vesting in the individuals as discussed above. Fair value is estimated on a binomial option pricing model.
14. The payment for shares purchased as part of the long term component of Non-executive Directors Fees (refer Long Term Component of Non-executive Directors' Compensation page 44).

Directors' shareholdings

The following table sets out each Director's relevant interest in shares and options of the Company as at the date of this report;

	Full paid ordinary shares number	Share options number
P J Smedley	3,610	-
D G Davis	27,383	-
M E Elliott	-	-
B K Morris	-	-
L B O'Bryan	16,000	-
D A Pritchard	-	-
G T Ricketts	17,440	-
P A Wilson	2,679,491	-

7. Company Secretary

At 1 July 2006 the parent Company Spotless Group Limited employed two Company executives, the Managing Director (Mr P A Wilson) and the former Company Secretary. Ms J O'Sullivan resigned as Company Secretary on 27 October 2006. Mr J J Bongiorno was appointed Company Secretary on 27 October 2006 and retired as Company Secretary on 30 June 2007. Ms O'Sullivan and Mr Bongiorno's compensation is disclosed elsewhere in the Compensation Report, refer Sections 5 & 6 respectively.

Mr M N Givoni was appointed Company Secretary and Group General Counsel effective 1 July 2007.

8. Employment contracts

Mr P A Wilson

Mr P A Wilson was appointed as Managing Director, Spotless Group Limited effective 1 January 2004 for a term of five years.

Under the terms of his employment agreement Mr Wilson's compensation comprises two components, base salary and a bonus – profit share scheme. At each anniversary of his appointment as Managing Director the base salary has been increased by 4%. Effective 1 January 2007 his base salary (including Company superannuation contributions) is at the rate of $1,350,000 per annum. With a motor vehicle allowance and car parking his fixed annual compensation is currently at the rate of $1,432,292.

The Short Term Incentive (STI) in the form of a bonus – profit share scheme was determined by a formula set out in Mr Wilson's employment agreement. Since the commencement of the agreement Mr Wilson has only qualified for one bonus payment under the scheme (2005). Agreement has been reached with Mr Wilson and the Human Resources Committee has approved that for 2008 his STI will be related to the achievement of criteria covering financial factors which increase shareholder value, strengthening management capability and improving Spotless safety performance. For the achievement of performance targets he will be entitled to an incentive of 50% of Fixed Annual Remuneration (FAR), with potential for an incentive of 100% of FAR for superior performance.

8. Employment contracts (continued)

Whilst the employment agreement does not provide for a contractual entitlement to participate in the Spotless Group equity schemes he has at times received offers to participate from the Spotless Group Limited Board. Details for previous years have been disclosed in the applicable reports for each year. Mr Wilson was not granted any shares, rights or options under the Spotless Group Equity plans in 2007.

When the employment of Mr Wilson terminates at the end of the fixed term, he will be paid his base compensation and any accrued untaken statutory entitlements calculated to the termination date. Mr Wilson will also be entitled to any amount of short term incentive payable for the year in which the termination occurs. At the time of termination Mr Wilson will be required to repay the outstanding balance of any Share Plan loans made to him by Spotless.

Upon termination Mr Wilson is prohibited from engaging in any activity that is similar to or competitive with Spotless operations for a period of two years after the termination date.

Other Senior Executives

All agreements for Senior Executives are open ended and subject to termination by the giving of notice. Senior Executives may terminate their employment by giving either three or six months notice in writing depending on the individual agreements. The company may terminate the agreements by giving the equivalent period of notice, or summarily for cause. Under company redundancy policy there is a maximum payment equivalent to 12 months Fixed Annual Remuneration. One senior executive is bound by a restraint clause which provides that the executive shall not take up employment or engage in activities to solicit or interfere with customers or employees of Spotless for a period of 6 months after cessation of employment.

New employment agreements are being secured with Key Management Personnel as a consequence of the reorganisation and changes of responsibilities. The agreements will include notice of termination provisions consistent with the seniority of the positions, and confidentiality and restraint provisions to protect the interests of the Company for 12 months after cessation. The agreements will be open ended, subject to the notice of termination provisions, and not for a fixed term.

The Compensation Report has been audited by Deloitte Touche Tohmatsu as part of the audit of financial statements for the year ended 30 June 2007.

On behalf of the Board of Directors.

P J Smedley
Chairman
Melbourne, 24 August 2007

P A Wilson
Managing Director
Melbourne, 24 August 2007

Income Statement

for financial year ended 30 June 2007

Spotless Group Limited

	Note	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Revenue attributable to continuing operations	5(a)	**2,580.7**	2,525.8	**50.9**	112.4
Other income attributable to continuing operations	5(b)	**13.9**	3.7	**0.1**	0.1
		2,594.6	2,529.5	**51.0**	112.5
Direct employee expenses		**(883.3)**	(913.1)	**(3.2)**	(2.4)
Subcontractor expenses		**(610.2)**	(490.4)	**-**	-
Raw materials, consumables and finished goods used		**(352.6)**	(369.1)	**-**	-
Impairment of assets and onerous contracts	5(c)	**(18.0)**	-	**-**	-
Other expenses		**(570.8)**	(574.1)	**(0.9)**	(0.9)
Profit before depreciation, amortisation, finance costs and income tax expense (EBITDA)		**159.7**	182.8	**46.9**	109.2
Depreciation and amortisation expense	5(d)	**(66.9)**	(70.0)	**-**	-
Profit before finance costs and income tax expense (EBIT)		**92.8**	112.8	**46.9**	109.2
Finance costs	5(e)	**(26.8)**	(28.1)	**(1.7)**	(0.3)
Profit before income tax expense		**66.0**	84.7	**45.2**	108.9
Income tax (expense)/income	6(b)	**(17.6)**	(22.6)	**1.4**	0.9
Profit for the year from continuing operations		**48.4**	62.1	**46.6**	109.8
Profit for the year from discontinued operations	7	**-**	0.7	**-**	-
Profit for the year		**48.4**	62.8	**46.6**	109.8
Profit attributable to minority interest		**(1.1)**	(1.0)	**-**	-
Profit attributable to members of the parent entity		**47.3**	61.8	**46.6**	109.8
Earnings per share		2007 cents	2006 cents		
Basic and diluted earnings per share	8	**22.0**	29.0		
Basic and diluted earnings per share from continuing operations	8	**22.0**	28.7		

The accompanying notes form an integral part of these financial statements.

Balance Sheet

for financial year ended 30 June 2007

Spotless Group Limited

	Note	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Current assets					
Cash and cash equivalents	10(a)	**64.8**	42.8	**7.9**	1.1
Current tax assets		**0.8**	2.9	**-**	1.9
Trade and other receivables	11	**276.2**	285.7	**-**	-
Inventories	12	**65.5**	88.3	**-**	-
Other financial assets	13	**0.2**	0.4	**217.0**	212.0
Prepayments		**19.8**	26.7	**1.3**	1.3
Total current assets		**427.3**	446.8	**226.2**	216.3
Non-current assets					
Other financial assets	14	**30.2**	37.3	**513.5**	519.6
Property, plant and equipment	15	**174.0**	178.1	**0.6**	0.6
Intangible assets and goodwill	16	**382.9**	379.1	**-**	-
Deferred tax assets	6(c)	**37.9**	39.0	**0.7**	0.7
Prepayments		**18.8**	34.2	**0.4**	-
Total non-current assets		**643.8**	667.7	**515.2**	520.9
Total assets		**1,071.1**	1,114.5	**741.4**	737.2
Current liabilities					
Trade and other payables	17	**282.5**	297.6	**0.1**	0.2
Borrowings	18	**68.1**	116.0	**-**	-
Current tax payables		**4.5**	5.0	**1.6**	-
Provisions	19	**65.9**	59.4	**2.2**	2.4
Other	20	**1.7**	1.9	**-**	-
Total current liabilities		**422.7**	479.9	**3.9**	2.6
Non-current liabilities					
Borrowings	21	**198.4**	203.7	**-**	3.0
Other financial liabilities	22	**47.0**	32.9	**-**	-
Deferred tax liabilities	6(d)	**11.9**	15.1	**-**	-
Provisions	23	**20.8**	17.6	**-**	-
Other	24	**2.1**	3.1	**-**	-
Total non-current liabilities		**280.2**	272.4	**-**	3.0
Total liabilities		**702.9**	752.3	**3.9**	5.6
Net assets		**368.2**	362.2	**737.5**	731.6
Equity					
Issued capital		**510.1**	501.5	**510.1**	501.5
Reserves	25	**(19.5)**	(17.8)	**-**	-
Retained profits		**(131.2)**	(129.2)	**227.4**	230.1
Parent entity interest		**359.4**	354.5	**737.5**	731.6
Minority interest		**8.8**	7.7	**-**	-
Total equity		**368.2**	362.2	**737.5**	731.6

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

for financial year ended 30 June 2007

Spotless Group Limited

	Note	Number Issued Shares (i) (million)	Issued Capital	Foreign Currency Translation Reserve	Debt Hedging Reserve	Retained earnings	Total	Outside Equity Interests	Total
			$ million						
			Attributable to equity holders of the Company						
Consolidated									
At 1 July 2005		**211.8**	**490.1**	**(8.2)**	**-**	**(124.7)**	**357.2**	**7.6**	**364.8**
Currency translation differences		-	-	(3.8)	-	-	(3.8)	-	(3.8)
Interest free loan opening balance adjustment		-	-	-	-	(15.3)	(15.3)	-	(15.3)
Debt hedges opening balance adjustment		-	-	-	(4.9)	-	(4.9)	-	(4.9)
Disposal of Windswept		-	-	0.9	-	-	0.9	-	0.9
Movement in foreign exchange swap		-	-	-	2.4	-	2.4	-	2.4
Movement in loan balance		-	-	-	(5.0)	-	(5.0)	-	(5.0)
Tax effect of movements		-	-	-	0.8	-	0.8	-	0.8
Total income and expense for the year recognised directly in equity		-	-	(2.9)	(6.7)	(15.3)	(24.9)	-	(24.9)
Profit for the year		-	-	-	-	61.8	61.8	1.0	62.8
Total recognised income / (expense) for year		-	-	(2.9)	(6.7)	46.5	36.9	1.0	37.9
Dividends reinvested		2.3	11.4	-	-	-	11.4	-	11.4
Dividends paid (ii)	9	-	-	-	-	(51.0)	(51.0)	(0.9)	(51.9)
At 1 July 2006 (iv)		214.1	501.5	(11.1)	(6.7)	(129.2)	354.5	7.7	362.2
Currency translation differences		-	-	(5.7)	-	-	(5.7)	0.9	(4.8)
Movement in foreign exchange swap		-	-	-	(14.1)	-	(14.1)	-	(14.1)
Movement in loan balance		-	-	-	19.6	-	19.6	-	19.6
Tax effect of movements		-	-	-	(1.5)		(1.5)	-	(1.5)
Total income and expense for the year recognised directly in equity		-	-	(5.7)	4.0	-	(1.7)	0.9	(0.8)
Profit for the year		-	-	-	-	47.3	47.3	1.1	48.4
Total recognised income / (expense) for year		-	-	(5.7)	4.0	47.3	45.6	2.0	47.6
Dividends reinvested		1.4	6.6	-	-	-	6.6	-	6.6
Dividends paid (ii)	9	-	-	-	-	(49.3)	(49.3)	(0.9)	(50.2)
Issue of shares under Securities Plan (vi)		0.5	2.0	-	-	-	2.0	-	2.0
At 30 June 2007 (iv)		**216.0**	**510.1**	**(16.8)**	**(2.7)**	**(131.2)**	**359.4**	**8.8**	**368.2**

Statement of Changes in Equity

for financial year ended 30 June 2007

Spotless Group Limited

			$ million						
			Attributable to equity holders of the Company						
	Note	Number Issued Shares (i) (million)	Issued Capital	Foreign Currency Translation Reserve	Debt Hedging Reserve	Retained earnings	Total	Outside Equity Interests	Total
Company									
At 1 July 2005		**211.8**	**490.1**	**-**	**-**	**184.4**	**674.5**	**-**	**674.5**
Interest free loan opening balance adjustment		-	-	-	-	(13.1)	(13.1)		(13.1)
Total income and expense for the year recognised directly in equity		-	-	-	-	(13.1)	(13.1)	-	(13.1)
Profit for the year		-	-	-	-	109.8	109.8	-	109.8
Total recognised income for year		-	-	-	-	96.7	96.7	-	96.7
Dividends reinvested		2.3	11.4	-	-	-	11.4	-	11.4
Dividends paid (ii)	9	-	-	-	-	(51.0)	(51.0)	-	(51.0)
At 1 July 2006 (iv)		214.1	501.5	-	-	230.1	731.6	-	731.6
Total income and expense for the year recognised directly in equity		-	-	-	-	-	-	-	-
Profit for the year		-	-	-	-	46.6	46.6	-	46.6
Total recognised income / (expense) for year		-	-	-	-	46.6	46.6	-	46.6
Dividends reinvested		1.4	6.6	-	-	-	6.6	-	6.6
Dividends paid (ii)	9	-	-	-	-	(49.3)	(49.3)	-	(49.3)
Issue of shares under Securities Plan (vi)		0.5	2.0	-	-	-	2.0	-	2.0
At 30 June 2007 (iv)		**216.0**	**510.1**	**-**	**-**	**227.4**	**737.5**	**-**	**737.5**

The accompanying notes form an integral part of these financial statements.

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

(ii) The 2006 final dividend had 762,713 (2005: 1,309,755) shares issued at $4.39 (2005: $5.04) per share as a result of the Dividend Re-investment Plan, while the 2007 interim dividend resulted in 674,381 (2006: 963,248) shares issued at $4.88 (2006:$5.05) per share.

(iii) In the year no options were exercised and 3,700,000 options lapsed (Note 27).

(iv) Total number of fully paid ordinary shares on issue at 30 June 2007 was 215,953,624 (2006: 214,066,530).

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

(vi) Under the Spotless Group Securities Plan 350,000 shares were issued at $4.42 on 18 September 2006 and 100,000 shares were issued at $4.62 on 29 March 2007.

Cash Flow Statement

for financial year ended 30 June 2007

Spotless Group Limited

	Note	Consolidated Inflows/(Outflows) 2007 $m	Consolidated Inflows/(Outflows) 2006 $m	Company Inflows/(Outflows) 2007 $m	Company Inflows/(Outflows) 2006 $m
Cash flows from operating activities					
Receipts from customers		**2,812.8**	2,647.4	**-**	-
Payments to suppliers and employees		**(2,642.0)**	(2,503.3)	**(4.7)**	(4.5)
Sale of contracts		**11.5**	-	**-**	-
Interest received		**1.1**	1.1	**0.1**	-
Other receipts		**1.3**	2.1	**-**	-
Interest and other costs of finance paid		**(25.8)**	(29.2)	**(0.9)**	(0.4)
Income tax paid		**(17.8)**	(31.4)	**(6.2)**	(19.6)
Net cash provided by/(used in) operating activities	10(d)	**141.1**	86.7	**(11.7)**	(24.5)
Cash flows from investing activities					
Proceeds from related parties		**-**	-	**51.1**	60.3
Payment for property, plant and equipment		**(68.5)**	(66.4)	**-**	-
Proceeds from sale of property, plant and equipment		**12.8**	15.9	**-**	-
Payment for business		**(0.4)**	-	**-**	-
Payment for intangible assets		**-**	(1.8)	**-**	-
Proceeds from repayment of Security Plan Loans		**14.1**	-	**13.1**	-
Issue of Security Plan Loans		**(2.0)**	-	**(2.0)**	-
Net proceeds from repayment of other loans		**0.2**	1.1	**-**	-
Net cash provided by/(used in) investing activities		**(43.8)**	(51.2)	**62.2**	60.3
Cash flows from financing activities					
Proceeds on issue of equity securities		**2.0**	-	**2.0**	-
Proceeds from borrowings		**847.5**	710.1	**38.0**	25.5
Repayment of borrowings		**(878.5)**	(708.1)	**(41.0)**	(22.5)
Dividends paid					
- members of the parent entity		**(42.7)**	(39.6)	**(42.7)**	(39.6)
- outside equity interests		**(0.9)**	(0.9)	**-**	-
Net cash used in financing activities		**(72.6)**	(38.5)	**(43.7)**	(36.6)
Net increase/(decrease) in cash held		**24.7**	(3.0)	**6.8**	(0.8)
Cash and cash equivalents at the beginning of the financial year		**42.8**	45.4	**1.1**	1.9
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		**(2.7)**	0.4	**-**	-
Cash and cash equivalents at the end of the financial year	10(a)	**64.8**	42.8	**7.9**	1.1

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

for financial year ended 30 June 2007

Spotless Group Limited

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Notes to the Financial Statements

for financial year ended 30 June 2007

Spotless Group Limited

1. Basis of Preparation

The financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001*, Accounting Standards, Interpretations and other requirements of the law. It has been prepared on a historical cost basis, except for financial instruments. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in their fair values attributable to the risks that are being hedged. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars and all values are rounded to the nearest hundred thousand dollars unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

2. Statement of Compliance

The financial report includes the separate financial statements of the Company and the consolidated financial statements of the consolidated entity.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 132 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the consolidated entity.

The financial statements were authorised for issue by the Directors on 24 August 2007

Adoption of new and revised Accounting Standards

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in changes to the consolidated entity's accounting policies in the following area and have affected the amounts reported for the current or prior years:

Accounting for financial guarantee contracts

The AASB released AASB 2005-9 'Amendments to Australian Accounting Standards' in September 2005. AASB 2005-9 amends AASB 139 'Financial Instruments: Recognition and Measurement' to require certain financial guarantee contracts to be recognised in accordance with AASB 139 and measured initially at their fair values, and subsequently measured at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with revenue recognition policies described in Note 3(w).

The changes introduced by AASB 2005-9 are applied by the consolidated entity with effect from the beginning of the comparative reporting period presented in this financial report (i.e. with effect from 1 July 2005).

The parent entity is: (i) party to a financial guarantee to a bank in respect of an entity in the consolidated entity, and (ii) party to deeds of cross guarantee with other entities in the consolidated entity.

The nature of the deeds of cross guarantee is such that each company which is party to the deed, guarantees, to each creditor, payment in full of any debt in accordance with the deed of cross guarantee.

No material adjustment was required in the separate financial statements of the Company to recognise the financial guarantee liability associated with its exposure under the deeds of cross guarantee or with respect to the parent entity guarantee to a bank.

Refer Note 35 for new standards and interpretations not yet adopted.

3. Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report;

(a) Accounts Payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Borrowings

All loans and borrowings are recorded at an amount equal to the fair value of the consideration received net of transaction costs. Subsequent to initial recognition, all loans and borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of borrowing using the effective interest rate method.

(c) Borrowing Costs

Borrowing costs are capitalised where they relate to qualifying assets and expensed over the asset's useful life.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(e) Derivative Financial Instruments

The consolidated entity has entered into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including cross currency swap contracts all of which relate to the senior unsecured notes (US private placement).

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is immediately recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The consolidated entity designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions (cash flow hedges), or hedges of net investments in foreign operations.

3. Significant Accounting Policies (continued)

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or current liability if the remaining maturity of the hedge relationship is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Currently, the consolidated entity has only entered into hedges of the type classified as cash flow hedges. The effective portion of changes in the fair value of these derivatives are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss, which was deferred in equity is recognised immediately in profit or loss.

Embedded derivatives inherent in the consolidated entity's contracts that change the nature of a host contract's risk are separately recorded at fair value with movements recognised immediately in profit and loss.

(f) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, sick leave and directors' retirement allowances when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of wages and salaries, annual leave, sick leave and other employee entitlements (including directors' retirement allowances) expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long service leave, annual leave and other employee entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

(g) Financial Instruments Issued by the Company

Debt and Equity Instruments

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

Transaction Costs on the Issue of Equity Instruments

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

Interest and Dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

Financial Guarantee Contract Liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with revenue recognition policies described in Note 3(w).

(h) Foreign Currency

Both the functional currency and presentation currency of Spotless Group Limited and its Australian subsidiaries are Australian dollars (AUD).

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date with all differences taken to the income statement.

Foreign subsidiaries have a functional currency other than Australian dollars. As at the reporting date, the assets and liabilities of these foreign subsidiaries are translated into the presentation currency of the consolidated entity by applying the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the reporting period or at the exchange rates ruling at the date of the transaction.

The exchange difference arising on the translation are taken to the foreign currency translation reserve.

On disposal of a foreign subsidiary with a functional currency other than Australian dollars, the deferred cumulative amount recognised in the foreign currency translation reserve relating to that particular subsidiary is recognised in the income statement.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST"), except (i) for receivables and payables which are recognised inclusive of GST; and (ii) where the amount of GST incurred is not recoverable from the taxation authority it is recognised as part of the cost of acquisition of an asset or as part of an item of expense. The net amount of GST recoverable from or payable to taxation authorities is included as part of receivables or payables.

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

3. Significant Accounting Policies (continued)

(j) Goodwill

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

(k) Inventories

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

(l) Investments

Investments in subsidiaries and associates within the parent entity are recorded at cost. Investments in associates are accounted for under the equity method in the consolidated financial statements.

Dividend revenue is recognised when the consolidated entity's right to receive payment has been established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(m) Impairment of Assets

The carrying values of non-monetary assets are reviewed annually, or when there is indication of an impairment loss, to determine whether they are in excess of their recoverable amount. If the carrying amount of an asset exceeds its recoverable amount, the asset is written down to the lower value. Individual assets are grouped for impairment purposes at the lowest level for which they are separately identifiable to generate cash inflows.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. 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. In the event of an impairment any adjustments would be made against the profit or loss for the financial year in which it was incurred.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately. An impairment of goodwill cannot be subsequently reversed.

(n) Income Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the comprehensive balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises form the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess of net assets over the purchase price.

3. Significant Accounting Policies (continued)

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Spotless Group Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. The arrangement is detailed in Note 6 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(o) Joint Venture Entities

Interests in joint venture entities are accounted for under the equity method in the consolidated financial statements.

(p) Leased Assets

Leased assets classified as finance leases are recognised as assets. The amount initially brought to account is the fair value, or, if lower the present value of the minimum lease payments. A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets. All other leases are classified as operating leases.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset. Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability and the aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis.

(q) Non Current Assets Held For Sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for such a sale. The sale of the asset (or disposal group) must be expected to be completed within one year from the date of the classification, except in the circumstances where sale is delayed by events or circumstances outside the consolidated entity's control and the consolidated entity remains committed to the sale.

(r) Patents

Patents are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives of 10 to 17 years. The estimated useful life and amortisation is reviewed annually.

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

(s) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete. On completion of the remediation and additional construction of the Barkly Street property, it will be measured at cost and transferred to investment property.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold interest and leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter. Both the straight line and reducing balance methods of depreciation are used, depending on the nature of the asset. The following estimated useful lives are used in the calculation of depreciation:

• Buildings	50 years
• Plant and equipment	3 -13 years
• Plant and equipment under finance lease	5 years
• Leasehold interest	50 years
• Leasehold improvement	5 -15 years
• Rental Stock	18 months - 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

3. Significant Accounting Policies (continued)

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. 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.

Following initial recognition at cost, land and buildings are carried at cost less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market-related evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(t) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'.

Consistent accounting policies and reporting periods are employed in the preparation and presentation of the consolidated financial statements. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The consolidated financial statements include the information and results of each controlled entity from the date on which the Company attains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions including unrealised profits arising from intra-group transactions, are eliminated in full.

(u) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Dividends - A provision is recognised for dividends when they have been declared, determined or publicly recommended by the Directors on or before the balance sheet date.

Public liability - A provision is recognised under the consolidated entity's self-insured public liability for claims below the insured excess.

(v) Receivables

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

(w) Revenue Recognition

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The revenue of the time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred. Life cycle maintenance revenue is based on stage of completion based on costs incurred. Where a loss is expected to occur it is recognised immediately.

Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has passed the significant risks and rewards of ownership of the goods to the buyer.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(x) Share-based payments

Share-based payments made to employees and others, that grant rights over the shares of the parent entity, Spotless Group Limited, are accounted for as equity-settled share-based payment transactions when the rights over the shares are granted by Spotless Group Limited. As Spotless Group Limited does not require reimbursement for the cost of the grant, amounts relating to the grant are deemed a contribution by Spotless Group Limited in its capacity as owner.

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

3. Significant Accounting Policies (continued)

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(y) Interest Free Loans

When the consolidated entity recognises a loan that is not issued at the market rate of interest, an estimate of the present value of all future cash receipts discounted, using the prevailing market rate of interest, is calculated. The variance between the nominal loan balance and the present value calculation is deemed to be foregone in respect of past services rendered by the employees. This expense is then recouped as interest revenue over the life of the loan.

(z) Comparative Information

During the 2007 financial year the consolidated entity modified the balance sheet classification of the workers compensation accrual from prepayments to trade payables to reflect more appropriately the nature of the balance. Previously, the workers compensation accrual netted off against the workers compensation prepayment balance. Comparative amounts have been reclassified to conform with the current year's presentation, which has resulted in $8.4 million being reclassified from current prepayments to current liabilities.

(aa) Superannuation Contributions

Contributions to defined contribution superannuation plans are expensed when incurred.

(ab) Critical accounting judgements and key sources of estimation uncertainty

In the application of A-IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Interest free loans

Interest free loans are as described in Note 3(y). In the case of these loans an estimate of the life of the loan is calculated by taking the age of employees and estimating their expected service period, i.e. their expected years to retirement. This is reviewed at the end of each annual reporting period. The future cash receipts are then discounted over this estimated loan life using a discount rate from 5.87% to 6.37%, which represents the prevailing market rate of interest at the time the loans were taken. During the year $14.1 million of the outstanding loans have been repaid, $6.5 million has been recouped as interest revenue and $0.8 million has been deemed as interest foregone.

Long-term contract revenue recognition

The Company has a limited number of long-term maintenance contracts that are engaged in a suite of related services under the one contract. The Company distinguishes between these revenue streams with respect to revenue recognition. Programmed maintenance services revenue is recognised based on services completed. Life cycle maintenance revenue is based on stage of completion based on costs incurred. In recognising the revenue the Company periodically re-forecasts the estimated total contract costs based on the different stages of completion of the contract.

Property, plant and equipment

As described in Note 15 the consolidated entity acquired land and buildings (including 49 apartments) at 227 Barkly Street, Brunswick ("the property") for $5.8 million. The acquired property has certain alleged levels of contamination, which the consolidated entity intends to remediate, the extent of which will be discussed with the Environment Protection Authority Victoria. The consolidated entity also intends to restore the apartments to a condition ready for sale. A provision for remediation and provision to restore the apartments has been capitalised into the cost of the property at 30 June 2007. The provision for remediation and restoration of the property has been estimated at $2.9 million based on an assessment by external advisors. Therefore, the total cost of the property is $8.7 million at 30 June 2007. As remediation and construction progresses actual costs will be monitored against the estimated provisions made.

Impairment of Intangible assets and goodwill

Determining whether intangible assets and goodwill are impaired requires an estimation of the value in use of the cash-generating units to which intangible assets and goodwill have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of intangible assets and goodwill at the balance sheet date was $382.9 million (2006 - $379.1 million). Details of the impairment calculation are provided at Note 16.

Notes to the Financial Statements

for financial year ended 30 June 2007

Spotless Group Limited

4. Segment Information

	Consolidated							
	External Sales Revenue		Segment Result		Total Assets		Total Liabilities	
	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m
Primary Segment								
Support Services								
Services Australia	**1,829.6**	1,743.0	**69.3**	62.8	**317.9**	356.5	**259.5**	256.7
Services New Zealand	**306.2**	318.7	**16.2**	22.1	**83.6**	67.0	**37.8**	31.5
Total Support Services	**2,135.8**	2,061.7	**85.5**	84.9	**401.5**	423.5	**297.3**	288.2
Retailer Services	**433.0**	455.7	**27.9**	37.8	**177.3**	225.9	**79.1**	91.0
Total Business Segments	**2,568.8**	2,517.4	**113.4**	122.7	**578.8**	649.4	**376.4**	379.2
Unallocated corporate administration	**-**	-	**(8.8)**	(9.9)	**6.9**	8.2	**8.2**	14.9
Disposed businesses, property etc	**-**	-	**12.7**	-	**-**	-	**1.0**	-
Impaired assets and onerous contracts	**-**	-	**(18.0)**	-	**-**	-	**-**	-
Barkly Street	**-**	-	**(6.5)**	-	**8.7**	-	**2.9**	-
Discontinued operations	**-**	-	**-**	0.7	**-**	-	**-**	-
Profit before finance costs and income tax expense ("EBIT")			**92.8**	113.5				
Cash / Loans / Interest	**-**	-	**(26.8)**	(28.1)	**95.0**	79.6	**314.4**	358.2
Goodwill	**-**	-	**-**	-	**381.7**	377.3	**-**	-
Income tax expense	**-**	-	**(17.6)**	(22.6)	**-**	-	**-**	-
	2,568.8	2,517.4	**48.4**	62.8	**1,071.1**	1,114.5	**702.9**	752.3
Secondary Segment								
Australia	**1,837.9**	1,752.1	**69.7**	63.4	**317.8**	361.5		
New Zealand	**308.2**	321.1	**15.1**	22.6	**84.6**	68.5		
The Americas	**50.6**	57.2	**5.6**	3.6	**44.4**	64.7	Not Reported	
Asia & Sub Continent	**241.9**	244.4	**14.5**	27.5	**88.8**	105.7		
Europe	**130.2**	142.6	**8.5**	5.6	**43.2**	49.0		
Total Geographical Segments	**2,568.8**	2,517.4	**113.4**	122.7	**578.8**	649.4		

4. Segment Information (continued)

	Consolidated			
	Depreciation and Amortisation		Cost of Acquisitions	
Primary Segment	2007 $m	2006 $m	2007 $m	2006 $m
Support Services				
Services Australia	**37.9**	41.3	**35.1**	35.7
Services New Zealand	**12.3**	12.8	**17.8**	11.7
Total Support Services	**50.2**	54.1	**52.9**	47.4
Retailer Services	**16.7**	15.8	**9.8**	19.0
Total Business Segments	**66.9**	69.9	**62.7**	66.4
Barkly Street	**-**	-	**5.8**	-
Unallocated corporate administration	**-**	0.1	**-**	-
	66.9	70.0	**68.5**	66.4

Inter-segment transactions are immaterial.

Principal Activities

For management purposes, the consolidated entity is organised into three major operating divisions - support services Australia and New Zealand and retailer services. These divisions are the basis on which the consolidated entity reports the primary segment information. The principal products and services of each of these divisions are as follows:

Support Services

The division provides a range of support services to industry and government. These services include providing food, garments and linen, property and grounds maintenance and print management that are offered as a portfolio to the corporate, healthcare, education, tourism and leisure, resources and government sectors.

Retailer Services

This division manages the supply of garment hanger and apparel packaging products. The division also manufactures certain moulded products, including garment hangers and bathroom products.

Geographical Segment Information

The consolidated entity's three divisions operate in five principal areas - Australia, New Zealand, The Americas, Asia and Europe.

Australia and New Zealand

Spotless Group Limited provides a full range of support services and retailer services throughout Australia and New Zealand.

The Americas

Spotless Group Limited provides a full range of retailer services in the USA, Honduras and Mexico.

Asia & Sub-Continent

Spotless Group Limited provides a full range of retailer services in China, Hong Kong, Australia, New Zealand, Sri Lanka, India, Thailand and Bangladesh.

Europe

Spotless Group Limited provides a full range of retailer services in the United Kingdom, Germany, Poland, Sweden, Turkey and United Arab Emirates.

Notes to the Financial Statements

for financial year ended 30 June 2007

Spotless Group Limited

5. Profit From Operations

	Consolidated		Company	
	2007 $m	2006 $m	2007 $m	2006 $m
(a) Revenue from operating activities				
Sales revenue:				
Rendering of services	**1,856.2**	1,827.3	**-**	-
Sale of goods	**712.6**	690.1	**-**	-
	2,568.8	2,517.4	**-**	-
Royalties	**4.3**	4.8	**-**	-
Dividends wholly-owned controlled entities	**-**	-	**45.0**	110.0
Interest revenue:				
Third party entities	**1.1**	1.0	**0.1**	-
Security plan loans	**6.5**	2.6	**5.8**	2.4
Revenue attributable to continuing operations	**2,580.7**	2,525.8	**50.9**	112.4
(b) Other income				
Gain from the sale of assets:				
Property, plant and equipment	**12.8**	0.7	**-**	-
Business	**-**	0.7	**-**	-
Other realised foreign exchange gains	**0.1**	0.3	**-**	-
Other	**1.0**	2.7	**0.1**	0.1
Other income	**13.9**	4.4	**0.1**	0.1
Attributable to:				
Continuing operations	**13.9**	3.7	**0.1**	0.1
Discontinued operations	**-**	0.7	**-**	-
	13.9	4.4	**0.1**	0.1
(c) Impairment of assets and onerous contracts				
Impairment of non-current assets	**2.6**	-	**-**	-
Impairment of catering rights	**7.8**	-	**-**	-
Onerous lease contracts	**7.6**	-	**-**	-
Total impairments and onerous contracts	**18.0**	-	**-**	-
(d) Depreciation and amortisation of non-current assets				
Property, plant and equipment	**39.6**	40.0	**-**	-
Leased assets	**0.1**	0.1	**-**	-
Rental stock	**26.7**	29.4	**-**	-
Amortisation of patents	**0.5**	0.5	**-**	-
Total depreciation and amortisation of non-current assets	**66.9**	70.0	**-**	-
(e) Finance Costs				
Interest charged from third party entities	**25.0**	26.6	**0.7**	0.1
Other borrowing costs	**0.9**	1.5	**0.2**	0.2
Directors' retiring allowance	**0.1**	-	**-**	-
Security plan loans	**0.8**	-	**0.8**	-
Total finance costs	**26.8**	28.1	**1.7**	0.3

5. Profit From Operations (continued)

	Consolidated		Company	
	2007 $m	2006 $m	2007 $m	2006 $m
(f) Other costs				
Cost of sales	**352.6**	369.1	**-**	-
Doubtful debt expense	**0.4**	1.1	**-**	-
Operating lease expense	**46.5**	37.0	**-**	-
Employee benefits - defined superannuation contribution plans	**47.1**	44.8	**0.3**	0.3
Termination benefits	**4.0**	2.7	**0.2**	-

6. Income Tax

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
(a) Income tax recognised in profit or loss				
Current tax expense/(income)	**21.0**	26.3	**(1.4)**	(1.2)
Adjustments recognised in the current year in relation to the current tax of prior years	**0.4**	(1.0)	**-**	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	**(3.6)**	(1.2)	**-**	0.3
Income tax revenue resulting from the recognition of previously unrecognised tax losses or temporary differences used to reduce current tax expense	**(0.2)**	(1.5)	**-**	-
Total tax expense/(income)	**17.6**	22.6	**(1.4)**	(0.9)
(b) Reconciliation of prima-facie tax on profit to income tax expense				
Profit	**66.0**	85.4	**45.2**	108.9
Income tax expense calculated at 30%	**19.8**	25.6	**13.6**	32.7
Items that are not deductible/(assessable) in calculating taxable income				
Capital profits offset by capital losses	**(4.5)**	(1.4)	**-**	-
Non-deductible entertainment expense	**0.4**	0.6	**-**	-
Tax rate differential on overseas earnings	**1.2**	-	**-**	-
Losses not tax effected less use of previously unrecognised losses	**0.3**	(0.8)	**-**	-
Withholding tax on dividends	**0.7**	0.8	**-**	-
Other items	**(0.7)**	(1.2)	**(1.5)**	(0.6)
Impact of the tax consolidation system				
Non-assessable amounts related to transactions within the tax consolidated group	**-**	-	**(13.5)**	(33.0)
	17.2	23.6	**(1.4)**	(0.9)
Adjustments recognised in the current year in relation to the current tax of the prior years	**0.4**	(1.0)	**-**	-
Total tax expense/(income)	**17.6**	22.6	**(1.4)**	(0.9)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
(c) Deferred tax assets				
Arising from temporary differences				
Employee compensation and benefits accrued	**23.5**	22.6	**0.6**	0.7
Other provisions	**5.0**	2.2	**0.1**	-
Property, plant and equipment	**2.9**	4.0	**-**	-
Other	**2.2**	4.2	**-**	-
	33.6	33.0	**0.7**	0.7
Arising from tax losses or offsets				
Revenue losses	**4.3**	6.0	**-**	-
Deferred tax assets	**37.9**	39.0	**0.7**	0.7

6. Income Tax (continued)

	Consolidated		Company	
	2007 $m	2006 $m	2007 $m	2006 $m
Unrecognised deferred tax assets				
The following deferred tax assets have not been brought to account as assets:				
Arising from unused tax losses - Morocco	**1.2**	1.2	**-**	-
Arising from unused tax losses - France	**1.3**	1.2	**-**	-
Arising from unused tax losses - Other jurisdictions	**0.1**	0.7	**-**	-
Arising from unused capital losses - USA	**3.5**	3.5	**-**	-
Arising from unused capital losses - Australia	**37.1**	41.3	**37.1**	41.3
	43.2	47.9	**37.1**	41.3

All the above unused tax losses and deductible temporary differences have no expiry date, except for losses in France of $1.3 million which expire five years after the loss is incurred.

(d) Deferred tax liabilities

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Arising from temporary differences				
Undistributed profits held in controlled entities	**1.1**	0.9	**-**	-
Catering rights and prepayments	**2.8**	5.9	**-**	-
Property, plant and equipment	**6.0**	7.4	**-**	-
Other	**2.0**	0.9	**-**	-
Deferred tax liabilities	**11.9**	15.1	**-**	-
Unrecognised deferred tax liabilities				
Deferred tax liabilities not recognised as the Company does not intend to repatriate certain undistributed profits held in controlled entities	**1.2**	0.9	**-**	-

(e) Income tax recognised directly in equity

The following current and deferred amounts were charged/(credited) directly to equity during the period:

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Deferred tax asset				
Debt hedging reserve	**1.5**	(2.9)	**-**	-

(f) Tax consolidation system

The Company as head entity and its Australian resident wholly owned entities have been treated as a single entity for income tax purposes under the Australian tax consolidation regime since 1 July 2002.

(g) Tax consolidation

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2002 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Spotless Group Limited. The members of the tax-consolidated group are identified in Note 33.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Spotless Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

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

7. Discontinued Operations

There have been no discontinued operations in the current year. On 4 July 2005, the consolidated entity disposed of its ownership interest in Windswept Environmental Group Inc. (part of the Services USA Business Segment) for nil consideration and an aggregate gain to the consolidated entity of $0.7 million, due to the Company wishing to dispense with a non-core asset. Its function was to provide emergency response and remedial property services. The entity did not trade in the prior period.

8. Earnings Per Share

	Consolidated	
	2007 cents per share	2006 cents per share
Basic and diluted earnings per share		
From continuing operations	**22.0**	28.7
From discontinuing operations	**-**	0.3
Total basic and diluted earnings per share	**22.0**	29.0
Reconciliation	$m	$m
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Earnings used to calculate basic and diluted earnings per share	**47.3**	61.8
Adjustments to exclude profit from discontinued operations	**-**	(0.7)
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	**47.3**	61.1
	000	000
Weighted average number of ordinary shares	**215,135**	213,133
Basic and dilutive earnings per share produce materially the same result and as such are combined for disclosure purposes.		

9. Dividends

	Consolidated		Company	
	2007 $m	2006 $m	2007 $m	2006 $m
Fully Paid Ordinary Shares				
Recognised Amounts				
Interim dividend - paid: 40% Franked 10.5c per share (2006: Fully franked 10.5c per share)	**22.6**	22.4	**22.6**	22.4
Final dividend - paid: 60% Franked 12.5c per share (2005: Fully franked 13.5c per share)	**26.7**	28.6	**26.7**	28.6
	49.3	51.0	**49.3**	51.0
Unrecognised Amounts				
Final dividend: 47% Franked 10.5c per share (2006: 60% Franked 12.5c per share)	**22.7**	26.7	**22.7**	26.7
On 24 August 2007, the Directors declared a 47% franked final dividend of 10.5c per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2007, to be paid to shareholders on 12 October 2007. The dividend will be paid to all shareholders on the Register of Members on 21 September 2007. The total estimated dividend to be paid is $22.7 million.				
Adjusted franking account balance (tax paid basis)	**1.7**	2.6	**1.7**	2.6
Impact on franking account balance of dividends not recognised	**(4.5)**	(6.8)	**(4.5)**	(6.8)

10. Cash and Cash Equivalents

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments (excluding term deposits), net of outstanding bank overdrafts and short-term money market borrowings that are not subject to a term facility.

Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash and cash equivalents	**64.8**	42.8	**7.9**	1.1

10. Cash and Cash Equivalents (continued)

	Consolidated		Company	
	2007 $m	2006 $m	2007 $m	2006 $m
(b) Business disposed				
During the financial year, no material controlled entity (2006 - one) and no material businesses were disposed of (2006 - none). In the prior year, there was no consideration received on the disposal of a controlled entity.				
(c) Financing facilities				
The economic entity has:				
Unsecured multi-option facilities which are on a five-year rolling basis currently expiring August 2011. These facilities are subject to review before maturity at which time they may be extended for a further period.				
Amount used	**4.6**	-	-	-
Amount unused	**40.4**	-	-	-
Unsecured multi-option facilities which are on a three-year rolling basis currently expiring August and September 2009. These facilities are subject to review before maturity at which time they may be extended for a further period.				
Amount used	**44.3**	82.1	-	-
Amount unused	**77.4**	141.3	-	-
Unsecured multi-option facility which is on a one-year rolling basis currently expiring August and September 2007. These facilities are subject to review before maturity at which time they may be extended for a further period.				
Amount used	**64.6**	64.2	-	-
Amount unused	**79.5**	59.8	-	-
US Private Placement issued on 15 July 2003. Senior unsecured notes expiring 15 July 2013 and 15 July 2015.				
Amount used	**199.9**	194.7	-	-
Amount unused	**-**	-	-	-
	510.7	542.1	-	-
(d) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities				
Profit for the year	**48.4**	62.8	**46.6**	109.8
Depreciation and amortisation of non-current assets	**66.9**	70.0	**-**	-
(Profit)/loss from sales of non-current assets	**(4.9)**	(1.4)	**-**	-
Interest revenue from security plan loans	**(6.5)**	(2.6)	**(5.8)**	(2.4)
Interest expense on security plan loans	**0.8**	-	**0.8**	-
Unrealised foreign exchange gain	**(0.1)**	-	**-**	-
Dividend revenue	**-**	-	**(45.0)**	(110.0)
Impairment of assets	**2.6**	-	**-**	-
Impairment of catering rights	**7.8**	-	**-**	-
Onerous lease contracts	**7.6**	-	**-**	-
Increase/(decrease) in income tax payable	**1.4**	(10.8)	**(7.6)**	(8.4)
Increase/(decrease) in deferred tax balances	**(2.6)**	3.7	**-**	(12.2)
Changes in assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Current receivables	**9.3**	(24.3)	**-**	-
Current inventories	**16.4**	(4.2)	**-**	-
Prepayments	**10.4**	(8.5)	**(0.3)**	0.3
Increase/(decrease) in liabilities:				
Current trade payables	**(18.8)**	1.7	**(0.1)**	(1.2)
Other current liabilities	**2.4**	0.3	**(0.3)**	(0.4)
Net cash from operating activities	**141.1**	86.7	**(11.7)**	(24.5)

11. Current Trade and Other Receivables

	Consolidated		Company	
	2007 $m	2006 $m	2007 $m	2006 $m
Trade receivables (i)	**279.6**	289.1	-	-
Allowance for doubtful debts	**(3.4)**	(3.4)	-	-
	276.2	285.7	-	-

(i) The average credit period on sales is 45 days. No interest is charged on trade receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. The movement in the allowance was recognised in the profit or loss for the current financial year.

12. Current Inventories

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Raw materials and stores	**7.9**	9.9	-	-
Finished goods	**57.6**	78.4	-	-
	65.5	88.3	-	-

13. Other Current Financial Assets

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
At amortised cost				
Loans to other persons (i)	**0.2**	0.4	-	-
Amounts receivable from wholly-owned entities (i)	**-**	-	**217.0**	212.0
	0.2	0.4	**217.0**	212.0

(i) All current financial assets are non interest bearing.

14. Other Non-Current Financial Assets

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Shares in controlled entities	**-**	-	**486.6**	486.6
At amortised cost				
Loans to other persons	**0.2**	0.3	-	-
Other receivables (i)	**0.1**	0.7	-	-
Spotless Group Securities Plan & Spotless Services Securities Plan loans (i)				
Director (Note 28)	**12.9**	20.4	**11.5**	18.4
Executive (Note 26)	**12.2**	11.4	**10.6**	10.1
Other loan to Executive Director (Note 28) (i)	**4.8**	4.5	**4.8**	4.5
	30.2	37.3	**513.5**	519.6

(i) Non interest bearing.

15. Property, Plant and Equipment

	At cost								
	Freehold Land	Buildings	Leasehold Improvements	Leasehold Interest	Plant and Equipment	Rental Stock	Investment Property under Construction (i)	Leased assets	TOTAL
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Consolidated									
Gross carrying amount									
Balance at 1 July 2005	12.1	16.4	31.8	4.8	355.1	91.4	-	2.3	**513.9**
Additions	-	0.2	2.7	-	36.5	27.0	-	-	**66.4**
Disposals	(0.9)	(0.6)	(1.5)	(4.8)	(23.8)	(9.9)	-	-	**(41.5)**
Decommissioning costs	-	-	(1.5)	-	-	-	-		**(1.5)**
Net foreign exchange variance	-	(0.2)	(0.2)	-	(3.5)	(2.2)	-	0.1	**(6.0)**
Balance at 30 June 2006	11.2	15.8	31.3	-	364.3	106.3	-	2.4	**531.3**
Additions	-	-	2.7	-	34.8	25.2	8.7	1.4	**72.8**
Disposals	(0.5)	(0.5)	(1.3)	-	(24.1)	(8.0)	-	(0.1)	**(34.5)**
Decommissioning costs	-	-	(0.5)	-	-	-	-	-	**(0.5)**
Net foreign exchange variance	-	(0.1)	(0.9)	-	(6.3)	1.8	-	(1.5)	**(7.0)**
Balance at 30 June 2007	**10.7**	**15.2**	**31.3**	**-**	**368.7**	**125.3**	**8.7**	**2.2**	**562.1**
Accumulated depreciation									
Balance at 1 July 2005	-	(1.6)	(19.3)	(0.6)	(237.0)	(53.9)	-	(2.2)	**(314.6)**
Disposals	-	0.1	1.0	0.5	15.9	8.8	-	-	**26.3**
Decommissioning costs	-	-	1.4	-	-	-	-	-	**1.4**
Net foreign exchange variance	-	0.1	(0.2)	0.2	1.9	1.1	-	0.1	**3.2**
Depreciation expense	-	(0.5)	(3.3)	(0.1)	(36.1)	(29.4)	-	(0.1)	**(69.5)**
Balance at 30 June 2006	-	(1.9)	(20.4)	-	(255.3)	(73.4)	-	(2.2)	**(353.2)**
Disposals	-	-	0.7	(0.1)	18.9	7.7	-	0.1	**27.3**
Decommissioning costs	-	-	0.2	-	-	-	-	-	**0.2**
Impairment losses charged to profit (ii)	-	-	-	-	(2.6)	-	-	-	**(2.6)**
Net foreign exchange variance	-	-	1.2	0.1	6.1	(0.9)	-	0.1	**6.6**
Depreciation expense	-	(0.4)	(3.2)	-	(36.0)	(26.7)	-	(0.1)	**(66.4)**
Balance at 30 June 2007	**-**	**(2.3)**	**(21.5)**	**-**	**(268.9)**	**(93.3)**	**-**	**(2.1)**	**(388.1)**
Net book value									
As at 30 June 2006	11.2	13.9	10.9	-	109.0	32.9	-	0.2	**178.1**
As at 30 June 2007	**10.7**	**12.9**	**9.8**	**-**	**99.8**	**32.0**	**8.7**	**0.1**	**174.0**

(i) On 20 April 2007 the consolidated entity acquired land and buildings (including 49 apartments) at 227 Barkly Street, Brunswick ("the property") for $5.8 million. The acquired property has certain alleged levels of contamination, which the consolidated entity intends to remediate, the extent of which will be discussed with the Environment Protection Authority Victoria. The consolidated entity also intends to restore the apartments to a condition ready for sale. The provision for remediation and restoration of the property has been estimated at $2.9 million, based on an assessment by external advisors. This brings the total cost of investment property under construction to $8.7 million. The acquisition of the property has no direct impact on the current litigation against the consolidated entity in connection with the alleged contamination of the property (refer Note 30).

(ii) During the period impairment losses recognised in respect of property, plant and equipment amounted to $2.6 million. These losses are attributable to contracts that do not support the recoverable amount of their associated assets. Impairment losses are included in the line item 'Impairment of assets and onerous contracts' in the income statement.

15. Property, Plant and Equipment (continued)

	At cost							
	Freehold Land	Buildings	Leasehold Improvements	Leasehold Interest	Plant and Equipment	Rental Stock	Leased assets	TOTAL
	$m	$m	$m	$m	$m	$m	$m	$m
Company								
Gross carrying amount								
Balance at 1 July 2005	0.4	0.2	-	-	0.4	-	-	**1.0**
Additions	-	-	-	-	-	-	-	**-**
Disposals	-	-	-	-	-	-	-	**-**
Transfers from/(to) subsidiaries	-	-	-	-	(0.3)	-	-	**(0.3)**
Balance at 30 June 2006	0.4	0.2	-	-	0.1	-	-	**0.7**
Additions	-	-	-	-	-	-	-	**-**
Disposals	-	-	-	-	-	-	-	**-**
Transfers from/(to) subsidiaries	-	-	-	-	-	-	-	**-**
Balance at 30 June 2007	**0.4**	**0.2**	**-**	**-**	**0.1**	**-**	**-**	**0.7**
Accumulated depreciation								
Balance at 1 July 2005	-	-	-	-	(0.2)	-	-	**(0.2)**
Disposals	-	-	-	-	-	-	-	**-**
Transfers (from)/to subsidiaries	-	-	-	-	0.1	-	-	**0.1**
Depreciation expense	-	-	-	-	-	-	-	**-**
Balance at 30 June 2006	-	-	-	-	(0.1)	-	-	**(0.1)**
Disposals	-	-	-	-	-	-	-	**-**
Transfers (from)/to subsidiaries	-	-	-	-	-	-	-	**-**
Depreciation expense	-	-	-	-	-	-	-	**-**
Balance at 30 June 2007	**-**	**-**	**-**	**-**	**(0.1)**	**-**	**-**	**(0.1)**
Net book value								
As at 30 June 2006	0.4	0.2	-	-	-	-	-	**0.6**
As at 30 June 2007	**0.4**	**0.2**	**-**	**-**	**-**	**-**	**-**	**0.6**

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in Note 5(d) to the financial statements.

16. Intangible Assets and Goodwill

	Consolidated		Company	
	2007 $m	2006 $m	2007 $m	2006 $m
Goodwill	**458.7**	454.3	-	-
Accumulated impairment losses	**(77.0)**	(77.0)	-	-
	381.7	377.3	-	-
Patents	**3.0**	3.3	-	-
Accumulated amortisation	**(1.8)**	(1.5)	-	-
	1.2	1.8	-	-
	382.9	379.1	-	-
Reconciliations				
Reconciliations of the carrying value of goodwill and other intangible assets are set out below:				
Goodwill				
Balance at beginning of financial year	**454.3**	459.7	-	-
Additional amounts recognised from business combinations occurring during the period	**0.4**	-		
Derecognised on disposal of a subsidiary	**(1.8)**	-	-	-
Effects of foreign exchange differences	**5.8**	(5.4)	-	-
Balance at end of financial year	**458.7**	454.3	-	-
There was no movement in accumulated impairment losses for the year (2006: no movement).				
Patents				
Balance at beginning of financial year	**3.3**	1.4	-	-
Additions	**-**	1.8	-	-
Derecognised on disposal of a subsidiary	**(0.1)**	-	-	-
Effects of foreign exchange differences	**(0.2)**	0.1	-	-
Balance at end of financial year	**3.0**	3.3	-	-
Accumulated amortisation				
Balance at beginning of financial year	**(1.5)**	(0.9)	-	-
Amortisation for the period	**(0.5)**	(0.5)	-	-
Derecognised on disposal of a subsidiary	**0.1**	-	-	-
Effects of foreign exchange differences	**0.1**	(0.1)	-	-
Balance at end of financial year	**(1.8)**	(1.5)	-	-

Aggregate amortisation allocated during the year is recognised as an expense and disclosed in Note 5(d) to the financial statements.

Allocation of goodwill to cash-generating units				
The entire balance of goodwill has been allocated for impairment testing purposes to one individual cash-generating unit and to three groups of cash generating units, as follows:				
Individual cash-generating units				
Taylors	**5.7**	5.1	-	-
Groups of cash-generating units			-	-
Services Australia	**148.8**	150.6	-	-
Services New Zealand	**52.3**	46.7	-	-
Retailer Services	**251.9**	251.9	-	-

16. Intangible Assets and Goodwill (continued)

Services Australia, Services New Zealand and Taylors

The recoverable amount is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Board of Directors covering a five year period with a residual, and a discount rate of 10.47% pa (2006: 9.60% pa). Any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

Retailer Services

The recoverable amount is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Board of Directors covering a five year period with a residual, and a discount rate of 9.40% pa (2006: 11.11% pa). Any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause Retailer Services carrying amount to exceed its recoverable amount.

For all calculations the budgeted gross margin is the budgeted gross margin for the next financial year, adjusted for an average budgeting accuracy percentage for that CGU in the past three years. Other influences on projections such as movements in commodity prices and inflation are factored in the discount rate applied in each test.

17. Current Trade and Other Payables

	Consolidated		Company	
	2007 $m	2006 $m	2007 $m	2006 $m
Trade payables (i)	**273.8**	289.8	**0.1**	0.2
Goods and Services Tax (GST) payable	**8.7**	7.8	**-**	-
	282.5	297.6	**0.1**	0.2

(i) Credit periods range from 1 day prompt payment to 75 days. The average credit period is 45 days. Interest in not charged on any outstanding balances. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

18. Current Borrowings

Unsecured: at amortised cost				
Bank loans	**68.0**	115.2	**-**	-
Unsecured loan notes	**-**	0.6	**-**	-
	68.0	115.8	**-**	-
Secured: at amortised cost				
Finance lease liabilities (i)	**0.1**	0.2	**-**	-
	68.1	116.0	**-**	-

(i) Secured by the assets leased.

19. Current Provisions

Public liability	**1.7**	2.5	**-**	-
Employee benefits	**61.9**	55.8	**1.3**	1.3
Directors' retiring allowance	**0.9**	1.1	**0.9**	1.1
Onerous lease contracts	**1.4**	-	**-**	-
	65.9	59.4	**2.2**	2.4
Reconciliations				
Reconciliations of the carrying amounts of each class of provision are set out below:				
Public liability				
Carrying amount at beginning of year	**2.5**	4.6	**-**	-
Increase/(decrease) in provision during the year	**0.1**	(1.5)	**-**	-
Payments made during the year	**(0.9)**	(0.6)	**-**	-
Carrying amount at end of the year	**1.7**	2.5	**-**	-

19. Current Provisions (continued)

	Consolidated		Company	
	2007 $m	2006 $m	2007 $m	2006 $m
Directors' retiring allowance				
Carrying amount at beginning of year	**1.1**	0.9	**1.1**	0.9
Provisions made during the year	**-**	0.2	**-**	0.2
Interest earned	**0.1**	-	**0.1**	
Payments made during the year	**(0.3)**	-	**(0.3)**	-
Carrying amount at end of the year	**0.9**	1.1	**0.9**	1.1
Onerous lease contracts				
Carrying amount at beginning of year	**-**	-	**-**	-
Provisions made during the year	**1.4**	-	**-**	-
Carrying amount at end of the year	**1.4**	-	**-**	-

Public liability

The provision for public liability represents the Directors' best estimate of the future sacrifice of economic benefits that will be required under the consolidated entity's self-insured public liability exposure relating to claims below the insured excess. The estimate is based on historical trends and may vary as a result of claims.

Directors' retiring allowance

The Board in 2006 decided to discontinue the Non-executive Directors' retiring allowance effectively from 1 July 2006. It was agreed at the 2006 Annual General Meeting that the accrued entitlements of the Non-executive Directors' retiring allowance would be held by the Company until they cease office.

Onerous lease contracts

The provision for onerous lease contracts represents the present value of future lease payments that the consolidated entity is presently obliged to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired term of the leases range from 7 to 8 years.

20. Other Current Liabilities

Non interest bearing:				
Owing under purchase and other agreements	**1.7**	1.9	**-**	-
	1.7	1.9	**-**	-

21. Non-Current Borrowings

Unsecured: at amortised cost				
Bank loans	**45.5**	31.2	**-**	3.0
Senior unsecured notes	**152.8**	172.4	**-**	-
Secured: at amortised cost				
Finance lease liabilities (i)	**0.1**	0.1	**-**	-
	198.4	203.7	**-**	3.0

(i) Secured by the assets leased.

22. Other Non-Current Financial Liabilities

	Consolidated		Company	
	2007 $m	2006 $m	2007 $m	2006 $m
Foreign Currency Swap at fair value	**47.0**	32.9	-	-
	47.0	32.9	-	-

23. Non-Current Provisions

Employee benefits	**12.0**	14.5	-	-
Decommissioning costs	**2.6**	3.1	-	-
Onerous lease contracts	**6.2**	-	-	-
	20.8	17.6	-	-
Reconciliations				
Reconciliations of the carrying amounts of each class of provision are set out below:				
Decommissioning costs				
Carrying amount at beginning of year	**3.1**	4.6	-	-
Decommissioning costs utilised	**(0.5)**	(1.5)	-	-
Carrying amount at end of the year	**2.6**	3.1	-	-
Onerous lease contracts (Note 19)				
Carrying amount at beginning of year	**-**	-	-	-
Provisions made during the year	**6.2**	-	-	-
Carrying amount at end of the year	**6.2**	-	-	-

Provision for decommissioning costs

The provision for decommissioning costs is a capitalised estimate of the costs of dismantling plant and equipment and restoring sites on which it is located. This obligation is incurred when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. The consolidated entity has identified the 'make-good' clauses on some of its leasehold properties to meet such criteria.

24. Other Non-Current Liabilities

Owing under purchase and other agreements	**2.1**	3.1	-	-
	2.1	3.1	-	-

25. Reserves

Debt hedging	**(2.7)**	(6.7)	-	-
Foreign currency translation	**(16.8)**	(11.1)	-	-
Balance at end of the financial year	**(19.5)**	(17.8)	-	-

Debt hedging reserve

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Foreign currency translation reserve

Exchange differences relating to foreign currency monetary items forming part of the net investment in a foreign operation and the translation of foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 3(h).

26. Spotless Group Securities Plan and Spotless Services Securities Plan

The Spotless Group Securities Plan ('the Group Plan') provides for the issue of shares and other securities such as options, warrants and any other securities which may become appropriate to provide incentive and rewards for employees and Executive Directors of the Company. Members are advanced funds to purchase fully paid shares with the amount of the loan being returned as subscription monies to the company making the loan. The cash effect of these employee loan and capital subscription transactions is neutral for the Company. These loans attract no interest. The Spotless Services Securities Plan has terms and conditions similar to those under the Group Plan.

At 30 June 2007 directors and executives had a balance of 7,383,711 ordinary shares (2006: 10,488,579 shares) under the provisions of the Group Plan. During 2007 nine executives and one Spotless Group Limited Director repaid loans under the provisions of the Securities Plan (2006: five executives, no directors).

Under the Spotless Group Securities Plan 350,000 shares were issued at $4.42 on 18 September 2006 and 100,000 shares were issued at $4.62 and on 29 March 2007.

27. Executive Share Option Plan

	Consolidated	
	2007 No.	2006 No.
Balance at beginning of the financial year	**4,000,000**	4,000,000
Granted during the financial year	**-**	-
Exercised during the year	**-**	-
Lapsed during the year	**(3,700,000)**	-
Balance at end of the financial year (i)	**300,000**	4,000,000

	No. Executives	2007 No.	2006 No.	Grant Date	Earliest Exercise Date	Expiry Date	Exercise Price
Granted 21 November 2001	4	**-**	2,200,000	21/11/2001	21/11/2004	21/11/2006	$5.00
Granted 9 May 2002	1	**-**	1,500,000	09/05/2002	09/05/2005	09/05/2007	$6.30
Granted 18 March 2003	2	**300,000**	300,000	18/03/2003	19/03/2006	19/03/2008	$5.00
	7	**300,000**	4,000,000				

(i) Options do not carry any dividends or voting rights until exercised. The individual must pay the exercise price to the Company in order to exercise the options.

As stated in Note 3(x), equity settled share based payments granted after 7 November 2002 are measured at fair value at the date of grant. Therefore those granted on 18 March 2003 were measured at a total value of $224,400 at date of issue using a binomial model. This model assumed a spot price of $4.28, volatility of 30.5% and a risk free rate of 5.3%.

There are no specific performance criteria which must be met prior to the beneficial vesting of options, which are issued to overseas domiciled senior executives, in recognition of taxation differences, to facilitate their participation in the Spotless Group Securities Plan mentioned in Note 26.

28. Related Party Disclosures

(a) Equity interests in related parties

Equity interests in controlled entities:

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 33 to the financial statements.

(b) Key management personnel compensation and retirement benefit

The following persons were key management personnel of Spotless Group Limited during the financial year:

Key management personnel	Position	Date of change in position
Directors at the end of the financial year		
P J Smedley	Non-executive Chairman	appointed 8 December 2006
J J Bongiorno	Director Finance and Administration	retired 30 June 2007
D G Davis	Non-executive Director	
M E Elliott	Non-executive Director	
B K Morris	Non-executive Director	appointed 23 May 2007
L B O'Bryan	Non-executive Director	
D A Pritchard	Non-executive Director	appointed 23 May 2007
G T Ricketts	Non-executive Director	
P A Wilson	Managing Director	
Directors not holding office at year end		
B S Blythe	Non-executive Chairman	retired 9 March 2007
R B Evans	Non-executive Director	passed away 9 March 2007
I G McMullin	Non-executive Director	retired 15 November 2006
Executives at the end of the financial year		
A Carstens	Chief Financial Officer	appointed 24 April 2007
J Farnik	Group General Manager - Strategy, Development & Communications	appointed 16 April 2007
C Anderson	Group General Manager - Procurement	appointed 12 March 2007
J Pearce	Group General Manager - Human Resources	appointed 26 June 2007
D M Goer	Chief Executive Officer - Services New Zealand	
R J Johnston	Chief Executive Officer - Services Australia	
M R Nicholson	Chief Executive Officer - Retailer Services	

The aggregate compensation of the key management personnel of the consolidated entity and the Company is set out below:

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
Short-term employee benefits	**4,668,701**	4,839,743	**2,065,188**	1,982,941
Post-employment benefits	**566,803**	685,176	**391,867**	502,831
Termination payments	**761,014**	-	**-**	-
Share-based payment	**234,375**	350,650	**61,516**	350,650
	6,230,893	5,875,569	**2,518,571**	2,836,422
Director fee paid by Taylors Group Limited (66.01% owned subsidiary) to G T Ricketts	**43,702**	44,449	**-**	-
	6,274,595	5,920,018	**2,518,571**	2,836,422

Details of key management personnel compensation and retirement benefits are disclosed in the Directors' Report as the Company is applying the relief granted under Corporation Amendment Regulations 2006 that exempt listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports by AASB 124 "Related Party Disclosures".

28. Related Party Disclosures (continued)

(c) Loan disclosures

	Balance at beginning $	Interest charged $	Interest not charged $	Write-off $	Balance at end $	Number in group
Directors						
2007	**27,122,412**	-	-	-	**18,913,534**	**3**
2006	27,122,412	-	-	-	27,122,412	4
Executives						
2007	**4,096,500**	-	-	-	**4,538,500**	**2**
2006	8,491,400	-	-	-	8,491,400	4
Total						
2007	**31,218,912**	-	-	-	**23,452,034**	**5**
2006	35,613,812	-	-	-	35,613,812	8

Individuals with loans above $100,000 in the reporting period

	Balance at beginning $	Interest charged $	Interest not charged $	Write-off $	Balance at end $	Highest in period $
Directors						
B S Blythe (i)						
2007	**8,208,878**	-	-	-	-	**8,208,878**
2006	8,208,878	-	-	-	8,208,878	8,208,878
J J Bongiorno						
2007	**3,468,917**	-	-	-	**3,468,917**	**3,468,917**
2006	3,468,917	-	-	-	3,468,917	3,468,917
Estate of R B Evans						
2007	**7,966,500**	-	-	-	**7,966,500**	**7,966,500**
2006	7,966,500	-	-	-	7,966,500	7,966,500
P A Wilson						
2007	**7,478,117**	-	-	-	**7,478,117**	**7,478,117**
2006	7,478,117	-	-	-	7,478,117	7,478,117
Executives						
R J Johnston (i)						
2007	**1,422,000**	-	-	-	**1,864,000**	**1,864,000**
2006	1,422,000	-	-	-	1,422,000	1,422,000
M R Nicholson						
2007	**2,674,500**	-	-	-	**2,674,500**	**2,674,500**
2006	2,674,500	-	-	-	2,674,500	2,674,500
T J Sexton						
2006	1,343,400	-	-	-	1,343,400	1,343,400
P W Solomon						
2006	3,051,500	-	-	-	3,051,500	3,051,500

(i) B S Blythe repaid $8,208,878 in full prior to year end. R J Johnson was issued 100,000 shares through the Security Plan hence his loan increased by $442,000.

28. Related Party Disclosures (continued)

(d) Key management personnel equity holdings

Fully paid ordinary shares issued by Spotless Group Limited (i)

	Balance at start of reporting period	Granted as compensation	Received on exercise of options	Net other changes	Balance at end of reporting period
	No.	No.	No.	No.	No.
Directors					
P J Smedley					
2007	-	-	-	**3,610**	**3,610**
2006	-	-	-	-	-
B S Blythe (ii) (iii)					
2007	**13,187,797**	-	-	-	**n/a**
2006	13,185,952	-	-	1,845	13,187,797
J J Bongiorno					
2007	**1,250,345**	-	-	**(8,309)**	**1,242,036**
2006	1,250,345	-	-	-	1,250,345
D G Davis					
2007	**26,064**	-	-	**1,319**	**27,383**
2006	24,867	-	-	1,197	26,064
Estate of R B Evans (ii) (iii)					
2007	**13,681,022**	-	-	-	**n/a**
2006	13,681,022	-	-	-	13,681,022
M E Elliott					
2007	-	-	-	-	-
2006	-	-	-	-	-
B K Morris					
2007	-	-	-	-	-
2006	-	-	-	-	-
I G McMullin (iii)					
2007	**5,665,770**	-	-	-	**n/a**
2006	5,664,946	-	-	824	5,665,770
L B O'Bryan					
2007	**16,000**	-	-	-	**16,000**
2006	16,000	-	-	-	16,000
D A Pritchard					
2007	-	-	-	-	-
2006	-	-	-	-	-
G T Ricketts					
2007	**16,600**	-	-	**840**	**17,440**
2006	15,838	-	-	762	16,600
P A Wilson					
2007	**2,679,491**	-	-	-	**2,679,491**
2006	2,679,491	-	-	-	2,679,491

28. Related Party Disclosures (continued)

	Balance at start of reporting period	Granted as compensation	Received on exercise of options	Net other changes	Balance at end of reporting period
	No.	No.	No.	No.	No.
Executives					
A Carstens					
2007	-	-	-	-	-
2006	-	-	-	-	-
J Farnik					
2007	-	-	-	-	-
2006	-	-	-	-	-
D M Goer					
2007	-	-	-	-	-
2006	-	-	-	-	-
R J Johnston					
2007	**300,000**	-	-	**100,000**	**400,000**
2006	300,000	-	-	-	300,000
M R Nicholson					
2007	**564,636**	-	-	-	**564,636**
2006	564,636	-	-	-	564,636
T J Sexton					
2006	272,260	-	-	-	272,260
P W Solomon					
2006	607,143	-	-	-	607,143

The shareholdings include shares acquired under the Spotless Group Securities Plan and Spotless Services Securities Plan described in Note 26.
(i) Includes Ordinary Shares held directly, indirectly or beneficially by key management personnel, including their related parties.
(ii) 232,603 shares are held jointly by B S Blythe and the estate of R B Evans and this figure is included in both Director's shareholdings.
(iii) B S Blythe, I G McMullin and R B Evans have ceased to be key management personnel during the reporting period.

Executive share options issued by Spotless Group Limited

2006 & 2007	Balance at beginning of period	Granted as compensation	Exercised	Lapsed	Balance at end of period	Balance Vested at 30 June 2007	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Directors									
P A Wilson	1,500,000	-	-	(1,500,000)	-	-	-	-	-

28. Related Party Disclosures (continued)

(e) Other transactions with key management personnel

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

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

Details of the transactions are as follows:

	2007 $	2006 $
Consulting services paid to an entity of which M E Elliot is a Director	**325,000**	51,865
Property rental received from an entity of which B S Blythe is a Director and R B Evans was a Director	**4,550**	8,450
Catering services provided to the Australian Football League of which R B Evans was a Commissioner	**960,546**	839,591
Healthcare services provided to a publicly listed company of which R B Evans was a Director	**6,185,197**	19,446,985

(f) Transactions within the wholly-owned group

The wholly-owned group includes the ultimate parent entity in the wholly-owned group, wholly-owned controlled entities, and other entities in the wholly-owned group. The ultimate parent entity in the wholly-owned group is Spotless Group Limited.

Details of dividend revenue derived by the parent entity from wholly-owned controlled entities are disclosed in Note 5 to the financial statements.

Amounts receivable from wholly-owned controlled entities are disclosed in Note 13 to the financial statements.

During the financial year Spotless Group Limited provided administration services to other entities in the wholly-owned group. Other transactions that occurred during the financial year between entities in the wholly-owned group were:

- advancement of interest free loans;
- sale and purchase of goods at cost; and
- rental of premises at commercial rates.

(g) Transactions with other related parties

Other related parties include the ultimate parent entity, partly-owned controlled entities, joint venture entities, directors of related parties and their director related entities and other related parties.

(h) Controlling entities

The parent entity in the consolidated entity is Spotless Group Limited.

The ultimate parent entity in the wholly-owned group is Spotless Group Limited.

The ultimate Australian parent entity is Spotless Group Limited.

The ultimate parent entity is Spotless Group Limited.

29. Commitments for Expenditure

	Consolidated		Company	
(a) Capital expenditure commitments	2007 $m	2006 $m	2007 $m	2006 $m
Not longer than 1 year	**1.0**	2.1	-	-
Longer than 1 year and not longer than 5 years	-	0.4	-	-
Longer than 5 years	-	0.1	-	-
	1.0	2.6	-	-

These commitments represent contractual obligations to purchase plant and equipment.

(b) Other commitments

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Not longer than 1 year	**20.9**	22.7	-	-
Longer than 1 year and not longer than 5 years	**57.3**	72.9	-	-
Longer than 5 years	**4.0**	10.1	-	-
	82.2	105.7	-	-

The majority of these commitments represent minimum catering rights on long-term contracts. Additional catering rights based on future revenues are, or may become payable, however these cannot be accurately quantified.

(c) Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 31 to the financial statements.

30. Contingent Liabilities

	Consolidated		Company	
	2007 $m	2006 $m	2007 $m	2006 $m
Legal proceedings (i) (ii) (iii)	-	-	-	-
Contract performance guarantees (iv)	**19.4**	17.3	-	-

(i) In February 2004 the consolidated entity announced that litigation had commenced against Spotless Group member entities in respect of contamination of two sites in Barkly Street Brunswick, formerly leased by a Spotless Group entity but vacated many years ago. Notes have appeared in the Spotless Group Limited Financial Statements in 2004 and subsequent years. Hearing of the claims has proceeded before the Victorian Supreme Court during the year and is unfinished. Although the expenses of defending the claims have exceeded expectations, and the outcome is unknown, the Directors do not expect the outcome of the proceedings to have a significant effect on the financial position of Spotless Group Limited.

(ii) An overseas customer has made a claim against an entity in the consolidated entity for lost garment sales and rework costs in relation to an incorrect ticket issue attached to garments. It has been estimated that the claim is $684,000 (GBP291,000). At the date of this report, no formal legal action has been taken and based on information the Directors believe that it may be possible to recover this amount from the entity's ticket and label supplier.

(iii) An entity in the consolidated entity commenced proceedings in the High Court at Auckland against a client, seeking damages for lost profits of approximately $363,603 (NZ$400,000) following the client's termination of a five year fixed term catering services contract. The client has counterclaimed against the entity, which is currently un-quantified. The proceeding is at an interlocutory stage with outstanding applications by both parties seeking further particulars. No trial date has been set, however, it would be unlikely to be before 2008.

(iv) A number of entities in the consolidated entity are required to guarantee their performance for certain contracts. Most of these guarantees relate to the Support Services segment. The amount disclosed represents the aggregate amount of such guarantees. The extent to which an outflow of funds will be required is dependent on the future operations.

31. Leases

	Consolidated		Company	
(a) Operating leases	2007 $m	2006 $m	2007 $m	2006 $m
Leasing arrangements				

Operating leases relate to office facilities and manufacturing and laundry plants with lease terms of 4 to 10 years. All operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew. The consolidated entity does not have an option to purchase the leased assets at the expiry of the lease period.

Non-cancellable operating leases

	Consolidated 2007 $m	Consolidated 2006 $m	Company 2007 $m	Company 2006 $m
Not longer than 1 year	**25.3**	22.6	-	-
Longer than 1 year and not longer than 5 years	**36.2**	42.0	-	-
Longer than 5 years	**4.8**	21.7	-	-
	66.3	86.3	-	-

31. Leases (continued)

	Consolidated		Company	
(b) Finance leases	2007 $m	2006 $m	2007 $m	2006 $m
Leasing arrangements				
Finance leases relate to plant and equipment with lease terms of one to three years. The consolidated entity has options to purchase the equipment at a market price at the conclusion of the lease agreements.				
Finance lease liabilities (including discontinued operations)				
Minimum future lease payments				
Not later than 1 year	**0.1**	0.2	-	-
Later than 1 year and not later than 5 years	**0.1**	0.1	-	-
Minimum Finance Lease Payments	**0.2**	0.3	-	-
Less future finance charges	**-**	-	-	-
Present value of minimum lease payments	**0.2**	0.3	-	-
Present value of minimum future lease payments				
Not later than 1 year	**0.1**	0.2	-	-
Later than 1 year and not later than 5 years	**0.1**	0.1	-	-
Present value of minimum lease payments	**0.2**	0.3	-	-
Included in the financial statements as:				
Current borrowings (Note 18)	**0.1**	0.2	-	-
Non-current borrowings (Note 21)	**0.1**	0.1	-	-
	0.2	0.3	-	-

32. Remuneration of Auditors

Auditor of the parent entity				
Auditing/reviewing the financial report (i)	**0.614**	0.749	-	-
Catering right audits	**0.023**	0.051	-	-
Other services	**0.003**	0.055	-	-
	0.640	0.855	-	-
Other Deloitte Touche Tohmatsu International auditors				
Auditing the financial report	**0.719**	1.063	-	-
Tax advice and other services	**0.310**	0.342	-	-
	1.029	1.405	-	-
	1.669	2.260	-	-

(i) The cost of auditing the parent entity's financial report is met by a subsidiary company in the current year.

33. Controlled Entities

Parent entity (incorporated in Australia)

Spotless Group Limited

Wholly-owned entities of Spotless Group Limited with ownership interest of 100% (2006: 100%) incorporated in Australia:

Name of entity	Ref	Name of entity	Ref	Name of entity	Ref
Allmark Services Australia Pty Ltd	(c)	Ensign Operations Pty Ltd	(b) (c)	Spotless Defence Services Pty Ltd	(c)
Bennelong Services Pty Ltd	(c)	Ensign Services (Aust) Pty Ltd	(c)	Spotless Hotel Support Services Pty Ltd	(b) (c)
Berkeley Challenge Pty Ltd	(c)	Erina Services Pty Ltd	(c)	Spotless Management Services Pty Ltd	(c)
Berkeley Challenge (Central) Pty Ltd	(c)	Figtree Services Pty Ltd	(c)	Spotless P&F Pty Ltd	(c)
Berkeley Challenge (Commercial) Pty Ltd	(c)	Homebush Services Pty Ltd	(c)	Spotless Plastics Pty Ltd	(c)
Berkeley Challenge (East) Pty Ltd	(c)	Hunter Services Pty Ltd	(c)	Spotless Property Cleaning Services Pty Ltd	(c)
Berkeley Challenge Environmental Services Pty Ltd	(c)	Kent Services Pty Ltd	(c)	Spotless Property Operations Pty Ltd	(c)
Berkeley Challenge Hospitality Services Pty Ltd	(c)	Kotara Services Pty Ltd	(c)	Spotless Services Australia Limited	(c)
Berkeley Challenge Housekeeping Services Pty Ltd	(c)	Lithgow Services Pty Ltd	(c)	Spotless Services International Pty Ltd	(c)
Berkeley Challenge (Management) Pty Ltd	(c)	Macarthur Campbelltown Services Pty Ltd	(c)	Spotless Services Limited	(c)
Berkeley Challenge (Newcastle) Pty Ltd	(c)	Martin Services Pty Ltd	(c)	Spotless Services (NSW) Pty Ltd	(b) (c)
Berkeley Challenge (North) Pty Ltd	(c)	Mayfield Services Pty Ltd	(c)	SSL Asset Services (Management) Pty Ltd	(c)
Berkeley Challenge (NSW) Pty Ltd	(c)	Minto Services Pty Ltd	(c)	SSL Facilities Management Pty Ltd	(c)
Berkeley Challenge (SA) Pty Ltd	(c)	Moore Park Services Pty Ltd	(c)	SSL Facilities Management Real Estate Services Pty Ltd	(c)
Berkeley Challenge (South) Pty Ltd	(c)	Nationwide Venue Management Pty Ltd	(c)	SSL FM Services Pty Ltd	(c)
Berkeley Challenge (West) Pty Ltd	(c)	O'Brien Catering Pty Ltd	(c)	SSL Health Services Pty Ltd	(c)
Berkeley Challenge (Wollongong) Pty Ltd	(c)	Parramatta Services Pty Ltd	(c)	SSL Health Services (NSW) Pty Ltd	(c)
Berkeleys Franchise Services Pty Ltd	(c)	Penrith Services Pty Ltd	(c)	SSL Security Services Pty Ltd	(c)
Bridge Services Pty Ltd	(c)	Port Kembla Services Pty Ltd	(c)	Taylors Two Two Seven Pty Ltd	(b) (c)
Callaghan Services Pty Ltd	(c)	Redfern Services Pty Ltd	(c)	Victoria Services Pty Ltd	(c)
Castlereagh Market Services Pty Ltd	(c)	Spotless Apparel Pty Ltd	(b) (c)	Walker Services Pty Ltd	(c)
Cromer Services Pty Ltd	(c)	Sports Venue Services Pty Ltd	(c)	Warilla Services Pty Ltd	(c)
Darling Services Pty Ltd	(c)	Spotless Cleaning Services Pty Ltd	(c)		

33. Controlled Entities (continued)

Wholly-owned entities of Spotless Group Limited with ownership interest of 100% (2006: 100%) incorporated overseas:

Name of entity	Ref	Country	Name of entity	Ref	Country
Braitrim (Deutschland) GmbH	(a)	Germany	Braitrim (Thailand) Limited	(a)	Thailand
Braitrim Direct Limited	(a)	UK	Braitrim (UK) Limited	(a)	UK
Braitrim Direct S.A.R.L.	(a) (d)	France	Metromain Limited	(a)	UK
Braitrim (Far East) Limited	(a)	HK	Peopleassets.net Acquisition Corp	(a)	USA
Braitrim France S.A.	(a) (d)	France	Peopleassets.net LLC	(a)	USA
Braitrim Group Limited	(a)	UK	Plastiform de Honduras S. de. R.L.	(a)	Honduras
Braitrim Holdings Limited	(a)	UK	Plastiform Limited	(a)	UK
Braitrim India (Pte) Ltd	(a)	India	Spotless Enterprises Inc	(a)	USA
Braitrim (Lanka) Pvt Ltd	(a)	Sri Lanka	Spotless Ganchos S.DE.R.L. DEC.B.	(a)	Mexico
Braitrim Maroc SA	(a)	Morocco	Spotless Plastics Mexico Logistics S.DE.R.L. DEC.B.	(a)	Mexico
Braitrim Packaging (UK) Limited	(a)	UK	Spotless Plastics (HK) Limited	(a)	HK
Braitrim Plastiform Bangladesh Limited	(a)	Bangladesh	Spotless Plastics Trading (Shanghai) Limited	(a)	PRC
Braitrim Plasti-form Dis Ticaret A.S.	(a)	Turkey	Spotless Plastics (UK) Ltd	(a)	UK
Braitrim Plasti-Form (Middle East) FZCO	(a)	Dubai, UAE	Spotless Plastics (USA) Inc	(a)	USA
Braitrim Plasti-Form South Africa (Proprietary) Limited	(a) (d)	South Africa	Spotless Services (NZ) Ltd	(a)	NZ
Braitrim (Scandinavia) AB	(a)	Sweden	Spotless Services (Singapore) Pte Ltd	(a)	Singapore
Braitrim (Singapore) Pte Ltd	(a)	Singapore	Windswept Acquisition Corp	(a)	USA

Other controlled entities of Spotless Group Limited with less than 100% ownership interest:

Name of entity	Ref	Country	Ownership interest % 2007	Ownership interest % 2006
Laytons Linen Hire Ltd	(a)	NZ	**66.01**	66.01
Taylors Group Ltd	(a)	NZ	**66.01**	66.01

(a) Audited by international associates of Deloitte Touche Tohmatsu, Australia.

(b) Controlled Entity incorporated during the year.

(c) These wholly-owned entities are relieved from the requirement to prepare audited accounts under the ASIC Class Order 98/1418 as they are parties to a Deed of Cross Guarantee with Spotless Group Limited. The Deed of Cross Guarantee was originally executed on 8 June 1995 and amended by an Assumption Deeds executed on 26 June 2000 and 17 April 2002, the Revocation Deed executed on 1 June 2000 and a Deed of Retirement and Appointment of Trustee and Alternate Trustee dated 13 June 2001. This Deed of Cross Guarantee was revoked on 13 June 2007 and a replacement Deed of Cross Guarantee under Class Order 98/1418 dated 13 June 2007 was lodged with the ASIC. These all form part of the tax consolidated group of which Spotless Group Limited is the head entity.

The total liabilities of these wholly-owned controlled entities who are party to the Deed of Cross Guarantee (excluding owed to the Company itself) are $398.6 million (2006: $319.9 million).

(d) Liquidation procedures have commenced.

33. Controlled Entities (continued)

Set out below are the consolidated income statement and balance sheet of those wholly-owned entities that are relieved from the requirement to prepare accounts under ASIC Class Order 98/1418 as they are party to the Deed of Cross Guarantee with Spotless Group Limited:

	2007 $m	2006 $m
Income Statement		
Revenue	**1,866.8**	1,785.9
Other income	**13.5**	3.4
	1,880.3	1,789.3
Direct employee and subcontractor expenses	**(1,274.3)**	(1,096.6)
Raw materials, consumables and finished goods used	**(60.6)**	(49.7)
Impairment of assets and onerous contracts	**(18.0)**	-
Other expenses	**(424.0)**	(520.2)
Profit before depreciation, finance costs and income tax expense (EBITDA)	**103.4**	122.8
Depreciation and amortisation expense	**(38.3)**	(41.5)
Profit before finance costs and income tax expense (EBIT)	**65.1**	81.3
Finance costs	**(15.8)**	(16.4)
Profit before income tax expense	**49.3**	64.9
Income tax expense	**(5.7)**	(9.9)
Profit for the year	**43.6**	55.0

33. Controlled Entities (continued)

	2007 $m	2006 $m
Balance Sheet		
Current assets		
Cash and cash equivalents	**27.4**	6.1
Current tax assets	**0.8**	2.1
Trade and other receivables	**177.6**	194.8
Inventories	**14.1**	14.5
Other financial assets	**0.2**	0.3
Prepayments	**3.0**	1.9
Total current assets	**223.1**	219.7
Non-current assets		
Other financial assets	**404.7**	392.9
Property, plant and equipment	**103.9**	104.9
Intangible assets	**92.6**	14.9
Deferred tax assets	**27.0**	27.0
Prepayments	**6.9**	15.9
Total non-current assets	**635.1**	555.6
Total assets	**858.2**	775.3
Current liabilities		
Trade and other payables	**185.2**	184.7
Borrowings	**35.0**	-
Current tax payables	**2.3**	-
Provisions	**52.0**	47.9
Other	**1.7**	2.0
Total current liabilities	**276.2**	234.6
Non-current liabilities		
Borrowings	**53.1**	31.9
Other financial liabilities	**47.0**	32.9
Deferred tax liabilities	**4.4**	7.1
Provisions	**19.7**	16.0
Other	**2.1**	3.0
Total non-current liabilities	**126.3**	90.9
Total liabilities	**402.5**	325.5
Net assets	**455.7**	449.8
Equity		
Issued capital	**510.1**	501.5
Reserves	**(2.8)**	(5.8)
Retained profits (i)	**(51.6)**	(45.9)
Total equity	**455.7**	449.8
(i) Retained profits		
Balance at beginning of the financial year	**(45.9)**	(49.9)
Net Profit attributable to members of the parent entity	**43.6**	55.0
Dividends paid	**(49.3)**	(51.0)
Balance at end of the financial year	**(51.6)**	(45.9)

Notes to the Financial Statements

for financial year ended 30 June 2007
Spotless Group Limited

34. Financial Instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

The following table details the consolidated entity's exposure to interest rate risk as at the reporting date.

					Fixed Interest Rate Maturity									
	Average Interest Rate		Variable Interest Rate		Less than 1 Year		1 to 5 Years (i)		More than 5 Years		Non-Interest Bearing		Total	
	2007 %	2006 %	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m
Consolidated														
Financial Assets														
Cash and cash equivalents	**5.46**	4.37	**64.8**	42.8	**-**	-	**-**	-	**-**	-	**-**	-	**64.8**	42.8
Trade and other receivables	**0.00**	0.00	**-**	-	**-**	-	**-**	-	**-**	-	**279.6**	289.1	**279.6**	289.1
Securities Plan														
- Executive loans	**0.00**	0.00	**-**	-	**-**	-	**-**	-	**-**	-	**12.2**	11.4	**12.2**	11.4
- Director loans	**0.00**	0.00	**-**	-	**-**	-	**-**	-	**-**	-	**12.9**	20.4	**12.9**	20.4
Other loans to Directors	**0.00**	0.00	**-**	-	**-**	-	**-**	-	**-**	-	**4.8**	4.5	**4.8**	4.5
Loans to other persons	**0.00**	7.05	**-**	0.4	**-**	-	**-**	-	**-**	-	**0.5**	1.0	**0.5**	1.4
			64.8	43.2	**-**	-	**-**	-	**-**	-	**310.0**	326.4	**374.8**	369.6
Financial Liabilities														
Trade and other payables	**0.00**	0.00	**-**	-	**-**	-	**-**	-	**-**	-	**282.5**	297.6	**282.5**	297.6
Bank loans	**6.88**	6.68	**78.5**	111.4	**35.0**	-	**-**	35.0	**-**	-	**-**	-	**113.5**	146.4
Foreign currency swap	**0.00**	0.00	**-**	-	**-**	-	**-**	-	**-**	-	**47.0**	32.9	**47.0**	32.9
Senior unsecured notes	**6.78**	6.78	**-**	-	**-**	-	**-**	-	**152.8**	172.4	**-**	-	**152.8**	172.4
Owing under purchase and other agreements	**0.00**	0.00	**-**	-	**-**	-	**-**	-	**-**	-	**3.8**	5.0	**3.8**	5.0
Unsecured loan notes	**0.00**	5.00	**-**	-	**-**	0.6	**-**	-	**-**	-	**-**	-	**-**	0.6
Redeemable preference shares	**0.00**	0.00	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Finance lease liabilities	**6.68**	6.68	**-**	-	**0.1**	0.2	**0.1**	0.1	**-**	-	**-**	-	**0.2**	0.3
Employee entitlements	**0.00**	0.00	**-**	-	**-**	-	**-**	-	**-**	-	**73.9**	70.3	**73.9**	70.3
Directors' retiring allowance	**6.00**	0.00	**0.9**	-	**-**	-	**-**	-	**-**	-	**-**	1.1	**0.9**	1.1
Onerous lease contracts (ii)	**0.00**	0.00	**-**	-	**-**	-	**-**	-	**-**	-	**7.6**	-	**7.6**	-
			79.4	111.4	**35.1**	0.8	**0.1**	35.1	**152.8**	172.4	**414.8**	406.9	**682.2**	726.6

(i) As at 30 June 2007, fixed interest bank loans have a maturity date of August 2007 ($25 million) and November 2007 ($10 million) and therefore have a maturity profile of less than 1 year (2006: 1-2 years)

(ii) As at 30 June 2007, the onerous lease contracts have a maturity profile of $1.3 million in 1-2 years, $1.1 million in 2-3 years, $0.9 million in 3-4 years and $0.9 million in 4-5 years. Although the onerous lease contracts are non-interest bearing, they have been discounted over the lease term using a discount rate of 6.35%.

34. Financial Instruments (continued)

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar credit profiles.

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

(d) Net fair value

The carrying amount of financial assets or liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 3 to the financial statements except as follows:

	Consolidated			
	Carrying Value		Net Fair Value	
	2007 $m	2006 $m	2007 $m	2006 $m
Non-current liabilities - not readily traded (i)				
Senior unsecured notes	**152.8**	172.4	**195.4**	194.7

(i) Net fair value is calculated by converting the face value of fixed rate USD debt into an equivalent Australian dollar balance using the prevailing spot AUD/USD exchange rate at the reporting date.

(e) Significant terms and conditions

The consolidated entity receives USD principal and interest cashflows and pays AUD and NZD principal and interest amounts at future coupon dates at specified exchange rates under cross currency swap contracts. These derivative contracts allow the consolidated entity to appropriately manage interest rate and foreign exchange risk attached to fixed rate USD debt.

The entity entered into forward starting cross currency swaps in July 2003 with maturities of 2013 (USD 80 million) and 2015 (USD 30 million).

The following table contains a summary position of outstanding cross currency swaps as at the reporting date.

Receipt Currency	Pay Currency	Receipt Fixed Interest Rate	Pay Fixed Interest Rate	Exchange Rate
USD 90 million	AUD 140.1 million	5.25%	6.86%	0.642
USD 20 million	NZD 35.1 million	5.21%	7.75%	0.571

The cross currency swap transactions have a market valuation of negative AUD 47.0 million (2006: negative AUD 32.9 million). This unrealised loss on cross currency swaps is reported independently under non-current liabilities.

Valuation differences that exist between the revaluation of foreign currency denominated debt at prevailing spot exchange rates and the market valuation of outstanding cross currency swaps is recorded in the Statement of Changes to Equity. Differences between the two valuation methods are attributable to the influence of forward foreign exchange rates - that result from interest rate differentials between the respective currencies - which form an integral component of cross currency swap valuations.

(f) Objectives of derivative financial instruments

The consolidated entity has entered into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including cross currency swaps to manage the foreign currency risk and interest rate risk associated with foreign currency denominated borrowings.

The consolidated entity does not enter into or trade derivative financial instruments for speculative purposes.

(g) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

35. New standards and interpretations not yet adopted

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

- AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments' makes amendments to a number of Australian Accounting Standards to introduce various accounting policy options, delete various disclosures presently required, and to make a number of editorial amendments. Effective for annual reporting periods beginning 1 July 2007.
- AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue. Effective for annual reporting periods beginning on or after 1 January 2007.
- 2005-10 'Amendments to Australian Accounting Standards' makes consequential amendments to Accounting Standards. Effective for annual reporting periods beginning on or after 1 January 2007.
- AASB 101 'Presentation of Financial Statements' - revised standard. Effective for annual reporting periods beginning on or after 1 January 2007
- Interpretation 10 'Interim Financial Reporting and Impairment'. Effective or annual reporting periods beginning on or after 1 November 2006.
- AASB 8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue. Effective for annual reporting periods beginning on or after 1 January 2009.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company or the consolidated entity. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect either the Company's or consolidated entity's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised), AASB 7 and AASB 2005-10 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the Company's and the consolidated entity's financial instruments and the objectives, policies and processes for managing capital. The consolidated entity does not intend to change any of its current accounting policies on adoption of AASB 2007-4; accordingly, there will be no financial impact to these financial statements. However, in the Group's financial statements for the year ended 30 June 2008, certain information may no longer be disclosed, or may be disclosed in an alternative manner, due to amendments made by AASB 2007-4 to the disclosure requirements of various Accounting Standards. AASB 8 is not expected to have an impact on the financial results of the Company as the standard is only concerned with disclosures.

These Standards and Interpretations will be first applied in the financial report of the consolidated entity that relates to the annual reporting period beginning after the effective date of each pronouncement.

36. Events After The Balance Date

Since the end of the financial year, the Directors have declared the following dividend:

Class of share	Rate per share (cents)	Franking per share (cents)	Amount $m	Date Payable
Ordinary	10.5	4.9	22.7	12 Oct 2007

Directors' Declaration

The Directors of Spotless Group Limited declare that:

(a) in our opinion the financial statements and notes thereto are in accordance with the Corporations Act 2001 ("the Act") including:

i. section 296 of the Act (compliance with accounting standards); and

ii. section 297 of the Act (true and fair view);

(b) in our opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) they have been given the declarations required by section 295A of the Act.

In the Directors' opinion, there are reasonable grounds to believe that the company and the companies to which Australian Securities and Investments Commission Class Order 98/1418 applies (as set out in Note 33 to the financial statements) will, as a group, be able to meet any obligations or liabilities to which they are or may become, by virtue of the Deed of Cross Guarantee to which they are a party.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Act.

On behalf of the Directors

P J Smedley
Chairman
Melbourne, 24 August 2007

P A Wilson
Managing Director
Melbourne, 24 August 2007

Audit Independence Declaration

Deloitte

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The Board of Directors
Spotless Group Limited
Level 3, 350 Queen Street
MELBOURNE VIC 3000

24 August 2007

Dear Board Members

Spotless Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Spotless Group Limited.

As lead audit partner for the audit of the financial statements of Spotless Group Limited for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Ian Sanders
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

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Independent Auditor's Report to the members of Spotless Group Limited

Report on the Financial Report and AASB 124 Compensation Disclosures in the Directors' Report

We have audited the accompanying financial report of Spotless Group Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration 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.

We have also audited the compensation disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures* ("AASB 124"), under the heading "remuneration report" within the directors' report, and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Compensation 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. The directors are also responsible for the compensation disclosures contained in the directors' report. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial statements and notes comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and compensation disclosures contained in the directors' 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 and the compensation disclosures comply with AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the compensation disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of

Member of
Deloitte Touche Tohmatsu

Independent Auditor's Report

Deloitte.

material misstatement of the financial report and the compensation 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 compensation 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 compensation disclosures contained in the directors' report.

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

Auditor's Independence Declaration

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

Auditor's Opinion on the Financial Report

In our opinion:

(a) the financial report of Spotless Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 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*; and

(b) the consolidated financial statements and notes comply with International Financial Reporting Standards as disclosed in Note 2.

Auditor's Opinion on the AASB 124 Compensation Disclosures Contained in the Directors' Report

In our opinion, the compensation disclosures that are contained under the heading "remuneration report" within the directors' report, comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders
Partner
Chartered Accountants
Melbourne, 24 August 2007

Distribution of Shareholdings at 7 September 2007

Range	No.of Shareholders	No.of Shares
1-1,000	1,283	678,395
1,001-5,000	2,326	5,859,167
5,001-10,000	702	5,049,429
10,001-100,000	603	14,896,908
100,001 and over	109	189,469,725
Total	**5,023**	**215,953,624**
Less than marketable parcel of 120 shares	163	9,419

Twenty Largest Shareholders at 7 September 2007

	Fully Paid Ordinary	Shares % of Issued Capital
HSBC Custody Nominees (Australia) Limited	42,004,704	19.45
National Nominees Limited	17,725,495	8.21
J P Morgan Nominees Australia Limited	17,663,030	8.18
RBC Dexia Investor Services Australia Nominees Pty Limited (Bkcust A/C)	11,624,867	5.38
RBC Dexia Investor Services Australia Nominees Pty Limited	9,550,934	4.42
Citicorp Nominees Pty Limited (CFS Future Leaders Fund A/C)	5,177,166	2.40
Cogent Nominees Pty Limited	4,924,380	2.28
ACN 122 808 324 Pty Ltd	4,573,767	2.12
Citicorp Nominees Pty Limited	4,065,805	1.88
Estate of Ronald Barry Evans	3,894,145	1.80
Australian Foundation Investment Company Limited	3,584,500	1.66
Mr Brian Stuart Blythe	3,509,311	1.63
Tasman Asset Management Ltd (Tyndall Australian Share Wholesale Portfolio A/C)	3,252,108	1.51
Zonda Pty Ltd	3,117,759	1.44
Australian Reward Investment Alliance	2,835,263	1.31
Queensland Investment Corporation	2,831,463	1.31
ANZ Nominees Limited (Cash Income A/C)	2,695,418	1.25
AMP Life Limited	2,686,014	1.24
Silchester Pty Limited	2,544,214	1.18
Silchester Pty Limited	2,254,800	1.04
	150,515,143	**69.69**

Substantial Shareholders at 7 September 2007

(i) National Australia Bank Limited has an entitlement to a total of 21,902,970 fully paid ordinary shares or 10.14% in Spotless Group Limited.

(ii) Lazard Asset Management Pacific Co has an entitlement to a total of 21,320,194 fully paid ordinary shares or 9.87% in Spotless Group Limited.

(iii) Arnold & S Bleichroeder Advisers LLC has an entitlement to a total of 17,515,182 fully paid ordinary shares or 8.11% in Spotless Group Limited.

(iv) Concord Capital Limited has an entitlement to a total of 16,937,311 fully paid ordinary shares or 7.84% in Spotless Group Limited.

(v) Maple-Brown Abbott Limited has an entitlement to a total of 16,167,603 fully paid ordinary shares or 7.48% in Spotless Group Limited.

(vi) Investor Mutual Limited has an entitlement to a total of 15,309,251 fully paid ordinary shares or 7.08% in Spotless Group Limited.

(vii) Estate of Ronald Barry Evans has an entitlement to a total of 13,668,257 fully paid ordinary shares or 6.32% in Spotless Group Limited.

(viii) Schroder Investment Management Australia Limited has an entitlement to a total of 13,275,005 fully paid ordinary shares or 6.14% in Spotless Group Limited.

(ix) Brian Stuart Blythe has an entitlement to a total of 13,182,507 fully paid ordinary shares or 6.10% in Spotless Group Limited.

Shareholder Services

Shareholder enquiries

Shareholders with enquiries about their shareholdings, or who require forms to be sent out, should contact the Share Registry, Computershare Investor Services Pty Limited:

By telephone:	(within Australia) 1300 850 505 (outside Australia) +61 3 9415 4000
By post:	Computershare Investor Services Pty Limited GPO Box 242 Melbourne Vic 3000 Australia
By fax:	(within Australia) 03 9473 2555 (outside Australia) +61 3 9473 2555
By email:	web.queries@computershare.com.au

Shareholder forms

Shareholders may also download a number of forms from either the Spotless Investor Centre on the Spotless website (www.spotless.com) or the Computershare website (www.computershare.com) to help manage their investment in Spotless, including:

- Change of address form
- Change of name form
- Consolidation of shareholding form
- Tax file number or ABN notification form
- Dividend direct payment request form
- Dividend reinvestment plan application, variation or termination form.

Electronic Communications

Shareholders of listed companies receive a number of paper-based communications each year. For shareholders who prefer to receive Spotless shareholder communications electronically, Spotless has joined the Computershare/Landcare Australia initiative called eTree.

See the Spotless Investor Centre on the Spotless website for full details of how shareholders can register to receive electronic communications, thereby reducing the amount of paper used each year and helping to preserve the environment.

CHESS (Clearing House Electronic Subregister System)

Shareholders who wish to move to an uncertificated holding under the Australian Stock Exchange CHESS system should contact their stockbroker. Further information is available from the ASX Settlement and Transfer Corporation Pty Ltd, Level 5, 20 Bridge Street, Sydney NSW 2000 or by telephone (02) 9227 0793.

Spotless website (www.spotless.com)

The Spotless website provides up-to-date and extensive information about Spotless and the services we provide, as well as containing links to all subsidiary websites. Included on the site is a shareholder-friendly Investor Centre. Visit the site for reports, announcements, financial statements, Corporate Governance information and more.

Corporate Directory

Directors

P J Smedley (Chairman)
P A Wilson (Managing Director)
D G Davis
M E Elliott
B K Morris
L B O'Bryan
D A Pritchard
G T Ricketts

Secretary

M N Givoni

Bankers

Australia and New Zealand Banking Group Limited
Commonwealth Bank of Australia
HSBC Bank Australia Limited
JPMorgan Chase Bank, NA

Auditors

Deloitte Touche Tohmatsu

Solicitors

Clayton Utz
Minter Ellison

Stock Exchange Listings

Spotless Group Limited
- Australian Stock Exchange Limited
Taylors Group Limited
- New Zealand Stock Exchange Limited

Share Registry for Spotless Group Limited

Computershare Investor Services Pty Limited
"Yarra Falls"
452 Johnston Street
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Australia

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Mixed Sources
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FSC
www.fsc.org Cert no. SCS-COC-00858

The Spotless Annual Report is printed using soy based inks on Spicers Spendorgel paper. Splendorgel is an FSC certified mixed source paper, all virgin pulp is derived from well-managed forests and controlled sources, is elemental chlorine free and is manufactured by an ISO 14001 certified mill.

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Representative Offices

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Americas: Mexico, Honduras
Asia: Bangladesh, China, India, Singapore, Sri Lanka, Thailand
Europe: France, Germany, Sweden, Turkey

SPOTLESS

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