

**LEMARNE**

**CORPORATION LIMITED**

**1999 FINANCIAL STATEMENTS**

# FINANCIAL STATEMENTS

Financial Statements for the Year ended 30 June 1999 – Lemarne Corporation Limited ACN 004 834 584 and Controlled Entities

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## PROFIT AND LOSS ACCOUNTS

Profit and Loss Accounts for the Year Ended 30 June 1999 – Lemarne Corporation Limited ACN 004 834 584 and Controlled Entities

|  |             | <b>1999</b>         | 1998                               | <b>1999</b>   | 1998   |
|--|-------------|---------------------|------------------------------------|---------------|--------|
|  |             | <b>\$000</b>        | \$000                              | <b>\$000</b>  | \$000  |
|  | <i>Note</i> | <i>Consolidated</i> | <i>Lemarne Corporation Limited</i> |               |        |
| <b>Operating Revenue</b>   | <i>2</i>    | <b>165,054</b>      | 140,631                            | <b>9,846</b>  | 2,652  |
| Operating profit before abnormal items   | <i>3</i>    | <b>9,271</b>        | 10,198                             | <b>3,015</b>  | 1,325  |
| Abnormal items   | <i>4</i>    | <b>1,253</b>        | (2,098)                            | <b>2,934</b>  | 7,400  |
| Operating profit before income tax   |             | <b>10,524</b>       | 8,100                              | <b>5,949</b>  | 8,725  |
| Income tax attributable to operating profit                                    | <i>5</i>    | <b>4,078</b>        | 2,892                              | <b>626</b>    | 1      |
| Operating profit after income tax  |             | <b>6,446</b>        | 5,208                              | <b>5,323</b>  | 8,724  |
| Outside equity interests in operating profit after income tax                  |             | <b>1,647</b>        | 1,202                              | –             | –      |
| Operating profit after income tax attributable to members of the parent entity |             | <b>4,799</b>        | 4,006                              | <b>5,323</b>  | 8,724  |
| Retained profits at the beginning of the financial year                        |             | <b>25,274</b>       | 23,377                             | <b>9,756</b>  | 3,141  |
| Aggregate of amounts transferred from reserves                                 |             | <b>18</b>           | –                                  | –             | –      |
| Total available for appropriation  |             | <b>30,091</b>       | 27,383                             | <b>15,079</b> | 11,865 |
| Dividends provided for or paid   | <i>6</i>    | <b>2,311</b>        | 2,109                              | <b>2,311</b>  | 2,109  |
| Retained profits at the end of the financial year                              |             | <b>27,780</b>       | 25,274                             | <b>12,768</b> | 9,756  |

*The accompanying notes form part of these financial statements.*

## BALANCE SHEETS

Balance Sheets as at 30 June 1999 – Lemarne Corporation Limited ACN 004 834 584 and Controlled Entities

|   |             | <b>1999</b>         | 1998                               | <b>1999</b>   | 1998   |
|---|-------------|---------------------|------------------------------------|---------------|--------|
|   |             | <b>\$000</b>        | \$000                              | <b>\$000</b>  | \$000  |
|   | <i>Note</i> | <i>Consolidated</i> | <i>Lemarne Corporation Limited</i> |               |        |
| <b>Current Assets</b>   |             |                     |                                    |               |        |
| Cash  |             | <b>10,598</b>       | 10,716                             | <b>6,880</b>  | 608    |
| Receivables   | 8           | <b>23,377</b>       | 25,594                             | <b>550</b>    | 1,510  |
| Inventories   | 9           | <b>30,166</b>       | 28,489                             | –             | –      |
| Other   | 10          | <b>928</b>          | 1,329                              | <b>15</b>     | 39     |
| <b>TOTAL CURRENT ASSETS</b>                                       |             | <b>65,069</b>       | 66,128                             | <b>7,445</b>  | 2,157  |
| <b>Non-Current Assets</b>   |             |                     |                                    |               |        |
| Receivables   | 8           | –                   | –                                  | <b>5,900</b>  | 6,000  |
| Investments   | 22          | –                   | –                                  | <b>10,305</b> | 12,473 |
| Property, plant and equipment                                     | 11          | <b>29,730</b>       | 30,394                             | <b>149</b>    | 102    |
| Intangibles   | 12          | <b>4,343</b>        | 5,714                              | –             | –      |
| Other   | 13          | <b>4,176</b>        | 4,853                              | <b>88</b>     | 87     |
| <b>TOTAL NON-CURRENT ASSETS</b>                                   |             | <b>38,249</b>       | 40,961                             | <b>16,442</b> | 18,662 |
| <b>TOTAL ASSETS</b>   |             | <b>103,318</b>      | 107,089                            | <b>23,887</b> | 20,819 |
| <b>Current Liabilities</b>  |             |                     |                                    |               |        |
| Accounts Payable  | 14          | <b>18,744</b>       | 21,178                             | <b>482</b>    | 165    |
| Borrowings  | 15          | <b>18,992</b>       | 22,617                             | <b>4,007</b>  | 5,038  |
| Provisions  | 16          | <b>6,007</b>        | 7,226                              | <b>1,917</b>  | 1,112  |
| Other   | 17          | <b>358</b>          | 460                                | –             | –      |
| <b>TOTAL CURRENT LIABILITIES</b>                                  |             | <b>44,101</b>       | 51,481                             | <b>6,406</b>  | 6,315  |
| <b>Non-Current Liabilities</b>                                    |             |                     |                                    |               |        |
| Borrowings  | 15          | <b>10,904</b>       | 9,814                              | <b>19</b>     | 27     |
| Provisions  | 16          | <b>5,281</b>        | 5,809                              | <b>152</b>    | 179    |
| Other   | 17          | <b>77</b>           | 96                                 | –             | –      |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                              |             | <b>16,262</b>       | 15,719                             | <b>171</b>    | 206    |
| <b>TOTAL LIABILITIES</b>  |             | <b>60,363</b>       | 67,200                             | <b>6,577</b>  | 6,521  |
| <b>NET ASSETS</b>   |             | <b>42,955</b>       | 39,889                             | <b>17,310</b> | 14,298 |
| <b>Shareholders' Equity</b>                                       |             |                     |                                    |               |        |
| Share capital   | 18          | <b>4,542</b>        | 3,302                              | <b>4,542</b>  | 3,302  |
| Reserves  | 19          | <b>620</b>          | 1,901                              | –             | 1,240  |
| Retained profits  |             | <b>27,780</b>       | 25,274                             | <b>12,768</b> | 9,756  |
| Shareholders' equity attributable to members of the parent entity |             | <b>32,942</b>       | 30,477                             | <b>17,310</b> | 14,298 |
| Outside equity interests in controlled entities                   | 20          | <b>10,013</b>       | 9,412                              | –             | –      |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                                 |             | <b>42,955</b>       | 39,889                             | <b>17,310</b> | 14,298 |
| Commitments and Contingent Liabilities                            | 21          |                     |                                    |               |        |

The accompanying notes form part of these financial statements.

## STATEMENTS OF CASH FLOWS

Statements of Cash Flows for the Year Ended 30 June 1999 – Lemarne Corporation Limited ACN 004 834 584 and Controlled Entities

|  |       | 1999<br>\$000  | 1998<br>\$000 | 1999<br>\$000               | 1998<br>\$000 |
|--|-------|----------------|---------------|-----------------------------|---------------|
|  | Note  | Consolidated   |               | Lemarne Corporation Limited |               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                |       |                |               |                             |               |
| Cash receipts in the course of operations                  |       | 158,304        | 134,573       | 1,211                       | 1,102         |
| Cash payments in the course of operations                  |       | (146,452)      | (118,521)     | (1,001)                     | (1,024)       |
| Dividends received   |       | –              | –             | 3,098                       | 1,398         |
| Interest received  |       | 300            | 478           | 20                          | 148           |
| Interest paid  |       | (1,865)        | (1,737)       | (238)                       | (184)         |
| Interest paid to preference shareholders                   |       | (605)          | (591)         | –                           | (129)         |
| Income tax paid  |       | (5,356)        | (4,109)       | 8                           | (45)          |
| <b>Net Cash provided by (used in) operating activities</b> | 28(2) | <b>4,326</b>   | 10,093        | <b>3,098</b>                | 1,266         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |       |                |               |                             |               |
| Proceeds on disposal of controlled entity/business         | 28(4) | 5,296          | –             | 4,845                       | –             |
| Proceeds from sale of property, plant and equipment        | 2     | 515            | 574           | 18                          | –             |
| Proceeds from sale of investments                          |       | –              | 1,000         | –                           | 1,000         |
| Payments for controlled entities/business purchased        | 28(3) | (118)          | (9,326)       | (4)                         | (6,529)       |
| Payments for property, plant and equipment                 |       | (7,526)        | (5,733)       | (101)                       | (2)           |
| Payments for deferred expenditure                          |       | (526)          | (669)         | –                           | –             |
| Loans repaid by related entities                           |       | –              | –             | 1,600                       | 2,150         |
| <b>Net cash provided by (used in) investing activities</b> |       | <b>(2,359)</b> | (14,154)      | <b>6,358</b>                | (3,381)       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                |       |                |               |                             |               |
| Proceeds from issue of shares to outside equity interests  |       | 13             | –             | –                           | –             |
| Share buy back from outside equity interests               |       | (240)          | –             | –                           | –             |
| Proceeds from borrowings                                   |       | 11,769         | 9,852         | –                           | 6,000         |
| Repayment of borrowings                                    |       | (9,424)        | (6,820)       | (1,038)                     | (2,521)       |
| Dividends paid-members of parent entity                    | 6     | (2,146)        | (2,146)       | (2,146)                     | (2,146)       |
| Dividends paid-outside equity interests                    | 20    | (989)          | (996)         | –                           | –             |
| <b>Net cash provided by (used in) financing activities</b> |       | <b>(1,017)</b> | (110)         | <b>(3,184)</b>              | 1,333         |
| <b>Net increase (decrease) in cash held</b>                |       | <b>950</b>     | (4,171)       | <b>6,272</b>                | (782)         |
| Exchange Rate Adjustments                                  |       | (160)          | (20)          | –                           | –             |
| Cash balances in controlled entity acquired (disposed)     | 28(4) | (652)          | 1,187         | –                           | –             |
| <b>Cash at the beginning of the financial year</b>         | 28(1) | <b>8,403</b>   | 11,407        | <b>608</b>                  | 1,390         |
| <b>Cash at the end of the financial year</b>               | 28(1) | <b>8,541</b>   | 8,403         | <b>6,880</b>                | 608           |

The accompanying notes form part of these financial statements.

## NOTES TO THE ACCOUNTS

Notes to and forming part of the Financial Statements for the Year Ended 30 June 1999 – Lemarne Corporation Limited ACN 004 834 584 and Controlled Entities

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## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are a general purpose financial report which have been prepared in accordance with the requirements of the Corporations Law which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with. They have been prepared on the basis of historical costs and except where stated, do not take into account changing money values or current valuations of non-current assets. The accounting policies have been consistently applied by each entity in the economic entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

### (a) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the ultimate parent entity, being the parent entity, and its controlled entities.

Where a controlled entity has entered or left the economic entity during the year, its results are included in consolidated profit from the date on which control was gained, or up to the date on which control was lost.

In preparing the consolidated accounts, all inter-entity balances and transactions and unrealised profits arising within the economic entity have been eliminated in full.

The controlled entities are listed in Note 22.

### (b) Foreign Currency

#### *Translation of Financial Statements*

The balance sheets of the overseas controlled entities (being self sustaining foreign operations) are translated at year end rates. The profit and loss accounts are translated at the weighted average rate for each month. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

### (c) 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.

#### *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.

### (d) Income Tax

The economic entity adopts the liability method of tax effect accounting whereby the income tax expense shown in the profit and loss account is based on the pre-tax operating profit adjusted for any permanent differences.

### (e) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

### (f) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is based on the weighted average or the first-in first-out method as appropriate and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of both variable and fixed costs. Fixed costs have been allocated on the basis of normal operating capacity.

### (g) Investments

#### *Controlled Entities*

Investments in controlled entities are carried in the ultimate parent entity's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the profit and loss account when they are paid by the controlled entities.

#### *Other Companies*

Investments in other entities are carried at the lower of cost, or recoverable amount, being Directors' valuation based on market values at the time of the valuation. Dividends are brought to account as they are received.

### (h) Property, Plant and Equipment

#### *Revaluations*

Land and buildings are independently valued every three years on an existing use basis of valuation and included in the financial statements at the revalued amounts.

A provision for capital gains tax is only provided when it is known that the asset will eventually be sold. This provision, when required, is made against the asset revaluation reserve.

#### *Depreciation and Amortisation of Fixed Assets*

Fixed assets, including buildings and leasehold property but excluding freehold land, are depreciated/amortised over their estimated useful lives. The straight line and diminishing value method are used. Leasehold improvements are amortised over the period of the lease to which they relate.

**(h) Property, Plant and Equipment (Cont.)**

*Depreciation and Amortisation of Fixed Assets (Cont.)*

The following estimated useful lives are used in the calculation of depreciation:

- Buildings 25 – 40 years
- Leasehold improvements 5 years
- Plant and equipment 3 – 15 years
- Equipment under finance lease 3 – 7 years

Assets are first depreciated or amortised in the year of acquisition or, in respect of internally constructed assets, from the time an asset is held ready for use.

*Leased Plant and Equipment*

Leases of plant and equipment under which the Company assumes substantially all of the risks of ownership, and which meet the criteria set out in Accounting Standard AASB 1008, are classified as finance leases. Other leases are classified as operating leases.

**(i) Intangibles**

*Goodwill on Consolidation*

Goodwill is amortised on a straight line basis and varies from 10 to 20 years.

*Intellectual Property*

Intellectual property is amortised on a straight line basis over 20 years.

**(j) Other Assets**

Material items of expenditure are deferred to the extent that the benefits are recoverable out of future revenue, do not relate to revenue which has already been brought to account and will contribute to the future earning capacity of the economic entity.

Preliminary expenses are amortised on a straight line basis over a period of ten years.

Relocation costs are amortised on a straight line basis over a period of five years.

*Product Development Costs*

Product development costs are charged to operating profit as incurred, or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Deferred product development expenditure is amortised over a period of five years from the commencement of manufacture of the product the capitalised expenditure relates to.

**(k) Accounts Payable**

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

**(l) Borrowings**

Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

**(m) Employee Entitlements**

*Wages, Salaries, Annual Leave and Sick Leave*

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represents the amount which the economic entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated at nominal amounts based on current wage and salary rates and includes related on-costs.

*Long Service Leave*

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

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the economic entity's experience with staff departures. Related on-costs have also been included in the liability.

**(n) Changes in Accounting Policies**

There were no changes in accounting policies during the year.

|  | <b>1999</b>         | 1998    | <b>1999</b>                        | 1998  |
|--|---------------------|---------|------------------------------------|-------|
|  | <b>\$000</b>        | \$000   | <b>\$000</b>                       | \$000 |
|  | <i>Consolidated</i> |         | <i>Lemarne Corporation Limited</i> |       |
| <b>2 OPERATING REVENUE</b>   |                     |         |                                    |       |
| Included in operating revenue are the following items entering into the determination of operating profit: |                     |         |                                    |       |
| <b>Operating Revenue</b>   |                     |         |                                    |       |
| Sales revenue  | <b>156,369</b>      | 138,795 | –                                  | –     |
| Other revenue  |                     |         |                                    |       |
| Dividends received or due and receivable from:   |                     |         |                                    |       |
| Controlled entities  | –                   | –       | <b>3,098</b>                       | 1,398 |
| Interest received or due and receivable from:  |                     |         |                                    |       |
| Controlled entities  | –                   | –       | <b>5</b>                           | 86    |
| Other persons  | <b>299</b>          | 481     | <b>14</b>                          | 66    |
| Bad debts recovered  | <b>22</b>           | 1       | –                                  | –     |
| Other income   | <b>1,847</b>        | 772     | <b>1,211</b>                       | 1,102 |
| <b>Non Operating Revenue</b>   |                     |         |                                    |       |
| Proceeds on sale of:   |                     |         |                                    |       |
| Plant and equipment  | <b>515</b>          | 574     | <b>18</b>                          | –     |
| Business   | <b>452</b>          | –       | –                                  | –     |
| Controlled entity  | <b>5,550</b>        | –       | <b>5,550</b>                       | –     |
|  | <b>165,054</b>      | 140,623 | <b>9,896</b>                       | 2,652 |

**3 OPERATING PROFIT**

Operating profit before abnormal items has been arrived at after including:

**(a) Operating Expenses**

|   |              |       |            |     |
|---|--------------|-------|------------|-----|
| Interest attributable to:                                     |              |       |            |     |
| Other persons   |              |       |            |     |
| – Borrowings  | <b>1,812</b> | 1,585 | <b>248</b> | 150 |
| – Redeemable preference shareholders paid by way of dividends | <b>376</b>   | 531   | –          | 69  |
| Finance charges on capitalised leases                         | <b>80</b>    | 111   | <b>5</b>   | 8   |
| Bad trade debts   | <b>17</b>    | 4     | –          | –   |
| Amortisation of:  |              |       |            |     |
| Intellectual property   | <b>125</b>   | 125   | –          | –   |
| Product development costs                                     | <b>154</b>   | 105   | –          | –   |
| Goodwill on consolidation                                     | <b>360</b>   | 264   | –          | –   |
| Goodwill  | <b>11</b>    | 11    | –          | –   |
| Leased assets capitalised                                     | <b>227</b>   | 287   | <b>22</b>  | 22  |
| Leasehold property  | <b>362</b>   | 252   | –          | –   |
| Other non-current assets                                      | <b>73</b>    | 194   | –          | –   |

|   | <b>1999</b>  | 1998                | <b>1999</b>                        | 1998         |
|---|--------------|---------------------|------------------------------------|--------------|
|   | <b>\$000</b> | \$000               | <b>\$000</b>                       | \$000        |
|   | <i>Note</i>  | <i>Consolidated</i> | <i>Lemarne Corporation Limited</i> |              |
| <b>3 OPERATING PROFIT (Cont.)</b>                                     |              |                     |                                    |              |
| <b>(a) Operating Expenses (Cont.)</b>                                 |              |                     |                                    |              |
| Depreciation of property, plant and equipment                         | <b>5,376</b> | 4,966               | <b>16</b>                          | 18           |
| Amounts set aside to provisions for:                                  |              |                     |                                    |              |
| Doubtful trade debts  | <b>266</b>   | 236                 | –                                  | –            |
| Employee entitlements   | <b>962</b>   | 1,283               | <b>(14)</b>                        | 26           |
| Stock obsolescence  | <b>23</b>    | 466                 | –                                  | –            |
| Warranties  | <b>307</b>   | 251                 | –                                  | –            |
| Diminution in value of investments                                    | –            | –                   | –                                  | –            |
| Loss on sale of plant and equipment                                   | <b>276</b>   | 127                 | –                                  | –            |
| Operating leases-rental expenses                                      | <b>2,781</b> | 2,627               | <b>72</b>                          | 45           |
| Foreign exchange losses   | <b>60</b>    | 81                  | –                                  | –            |
| Write down in value of:   |              |                     |                                    |              |
| inventories   | <b>438</b>   | 97                  | –                                  | –            |
| plant and equipment (scrapped)  | <b>5</b>     | 115                 | –                                  | –            |
| Remuneration of auditors:   |              |                     |                                    |              |
| Amounts received or due and receivable for audit services by:         |              |                     |                                    |              |
| – Auditors of the parent entity                                       | <b>187</b>   | 216                 | <b>21</b>                          | 17           |
| – Other auditors  | <b>67</b>    | 46                  | –                                  | –            |
| Amounts received or due and receivable for other services by:         |              |                     |                                    |              |
| – Auditors of the parent entity                                       | <b>57</b>    | 43                  | <b>7</b>                           | 2            |
| – Other auditors  | <b>20</b>    | 26                  | –                                  | –            |
| <b>(b) Bad Debts written off against provision</b>                    | <b>227</b>   | 261                 | –                                  | –            |
| <b>(c) Operating Profits</b>  |              |                     |                                    |              |
| Profit on sale of plant and equipment                                 | <b>23</b>    | 57                  | <b>2</b>                           | –            |
| Foreign exchange gains  | <b>42</b>    | 7                   | –                                  | –            |
| <b>4 ABNORMAL ITEMS</b>   |              |                     |                                    |              |
| <b>Revenue</b>  |              |                     |                                    |              |
| Profit on disposal of controlled entity Spectra International Pty Ltd | <i>23</i>    | <b>3,376</b>        | –                                  | <b>2,934</b> |
| Provision for stock obsolescence                                      |              | <b>(170)</b>        | –                                  | –            |
|   |              | <b>3,206</b>        | –                                  | <b>2,934</b> |
| Income tax effect   |              | <b>(592)</b>        | –                                  | <b>(653)</b> |
|   |              | <b>2,614</b>        | –                                  | <b>2,281</b> |
| Profit on sale of investment  |              | –                   | –                                  | 7,400        |
| Income tax effect   |              | –                   | –                                  | –            |
|   |              | –                   | –                                  | 7,400        |

|   | <b>1999</b>  | 1998                       | <b>1999</b>                        | 1998         |
|---|--------------|----------------------------|------------------------------------|--------------|
|   | <b>\$000</b> | \$000                      | <b>\$000</b>                       | \$000        |
|   | <i>Note</i>  | <i>Consolidated</i>        | <i>Lemarne Corporation Limited</i> |              |
| <b>4 ABNORMAL ITEMS (Cont.)</b>   |              |                            |                                    |              |
| <b>Expenses</b>   |              |                            |                                    |              |
| Costs associated with the closure of the Techbuild Composites (UK) business by overseas controlled entity |              | <b>(1,310)<sup>1</sup></b> | (348)                              | –            |
| Income tax effect   |              | <b>393</b>                 | 107                                | –            |
| Tax losses not recognised   | 5            | <b>(254)</b>               | –                                  | –            |
|   |              | <b>(1,171)</b>             | (241)                              | –            |
| Costs associated with the closure of Com 10's factory at Revesby NSW                                      |              | <b>(443)</b>               | –                                  | –            |
| Provision for surplus leased property at Revesby NSW  | 16           | <b>(200)</b>               | –                                  | –            |
|   |              | <b>(643)</b>               | –                                  | –            |
| Income tax effect   |              | <b>231</b>                 | –                                  | –            |
|   |              | <b>(412)</b>               | –                                  | –            |
| Bad debt in overseas controlled entity resulting from collapse of A1 Security & Electrical Ltd (UK)       |              | –                          | (1,551)                            | –            |
| Stock write off re cessation of business with A1 Security & Electrical Ltd (UK)                           |              | –                          | (199)                              | –            |
|   |              | –                          | (1,750)                            | –            |
| Income tax effect   |              | –                          | 490                                | –            |
|   |              | –                          | (1,260)                            | –            |
| Aggregate abnormal items before income tax  |              | <b>1,253</b>               | (2,098)                            | <b>2,934</b> |
| Aggregate income tax effect   |              | <b>(222)</b>               | 597                                | <b>(653)</b> |
| Aggregate abnormal items after income tax   |              | <b>1,031</b>               | (1,501)                            | <b>2,281</b> |

<sup>1</sup> Includes provision for 'make good' of premises at year end of \$194,000.

The tax losses have not been recognised as an asset as they are not virtually certain to be realised.

## 5 TAXATION

### Income Tax Expense

|   |                        |       |              |       |
|---|------------------------|-------|--------------|-------|
| Prima facie income tax expense calculated at 36% (1998 – 36%) on the operating profit | <b>3,789</b>           | 2,916 | <b>2,142</b> | 3,141 |
| Increase in income tax expense due to non tax deductible items:                       |                        |       |              |       |
| Interest on preference shares   | <b>135</b>             | 191   | –            | 25    |
| Amortisation of:  |                        |       |              |       |
| Goodwill on consolidation   | <b>130</b>             | 95    | –            | –     |
| Goodwill  | <b>4</b>               | 4     | –            | –     |
| Intellectual property   | <b>45</b>              | 45    | –            | –     |
| Depreciation  | <b>18</b>              | 21    | –            | –     |
| Timing differences and tax losses not recognised in overseas entities                 | <b>627<sup>1</sup></b> | 51    | –            | –     |
| Other non-deductible items  | <b>124</b>             | 83    | <b>2</b>     | 2     |

|  | <b>1999</b>         | 1998    | <b>1999</b>                        | 1998  |
|--|---------------------|---------|------------------------------------|-------|
|  | <b>\$000</b>        | \$000   | <b>\$000</b>                       | \$000 |
|  | <i>Consolidated</i> |         | <i>Lemarne Corporation Limited</i> |       |
| <b>5 TAXATION (Cont.)</b>  |                     |         |                                    |       |
| <b>Income Tax Expense (Cont.)</b>  |                     |         |                                    |       |
| Decrease in income tax expense due to:   |                     |         |                                    |       |
| Rebate on dividend income  | –                   | –       | <b>1,115</b>                       | 3,167 |
| Non assessable profit on disposal of controlled entity   | <b>240</b>          | –       | <b>240</b>                         | –     |
| Tax on overseas results at lower rates   | <b>(88)</b>         | 67      | –                                  | –     |
| Research and development allowance   | <b>192</b>          | 208     | –                                  | –     |
| Discount on acquisition realised   | <b>15</b>           | 16      | –                                  | –     |
| Carried forward capital tax losses not previously brought to account   | <b>163</b>          | 7       | <b>163</b>                         | –     |
| Other  | <b>208</b>          | 111     | –                                  | –     |
| Income tax expense on profit   | <b>4,142</b>        | 2,997   | <b>626</b>                         | 1     |
| Income tax under/(over) provided in prior year   | <b>(82)</b>         | (105)   | –                                  | –     |
| Effect of change in tax rates  | <b>18</b>           | –       | –                                  | –     |
| Total income tax expense   | <b>4,078</b>        | 2,892   | <b>626</b>                         | 1     |
| Total income tax expense consists of:  |                     |         |                                    |       |
| Current income tax payable   | <b>4,047</b>        | 3,991   | <b>637</b>                         | 2     |
| Provision for deferred income tax  | <b>213</b>          | (132)   | <b>(10)</b>                        | (3)   |
| Future income tax benefit  | <b>(100)</b>        | (932)   | <b>(1)</b>                         | 2     |
| Under/(over) provision in prior year   | <b>(82)</b>         | (35)    | –                                  | –     |
|  | <b>4,078</b>        | 2,892   | <b>626</b>                         | 1     |
| Previously unrecognized gross capital losses of \$453,000 (net \$163,000) in the Company and a controlled entity have been brought to account this year. |                     |         |                                    |       |
| <sup>1</sup> Includes tax losses associated with Techbuild Composites closure of \$254,000.  |                     |         |                                    |       |
| <b>Provision for Current Income Tax</b>  |                     |         |                                    |       |
| Movements during the year were as follows:   |                     |         |                                    |       |
| Balance at beginning of year   | <b>3,526</b>        | 2,865   | <b>1</b>                           | 36    |
| Addition (deletion) due to acquisition (disposal) of controlled entity   | <b>(64)</b>         | 671     | –                                  | –     |
| Income tax paid  | <b>(5,356)</b>      | (4,107) | <b>8</b>                           | (45)  |
| Current year's income tax  | <b>4,047</b>        | 4,049   | <b>637</b>                         | 1     |
| Prior year under/(over) provision  | <b>(22)</b>         | (7)     | –                                  | –     |
| Exchange rate movement   | <b>(5)</b>          | 46      | –                                  | –     |
| Over paid (refund due)   | <b>(5)</b>          | 9       | <b>(9)</b>                         | 9     |
|  | <b>2,121</b>        | 3,526   | <b>637</b>                         | 1     |

|  | <b>1999</b>  | 1998                | <b>1999</b>                        | 1998        |
|--|--------------|---------------------|------------------------------------|-------------|
|  | <b>\$000</b> | \$000               | <b>\$000</b>                       | \$000       |
|  | <i>Note</i>  | <i>Consolidated</i> | <i>Lemarne Corporation Limited</i> |             |
| <b>5 TAXATION (Cont.)</b>  |              |                     |                                    |             |
| <b>Provision for Deferred Income Tax</b>   |              |                     |                                    |             |
| Provision for deferred income tax comprises the estimated expense at the current income tax rate of 36% (1998 – 36%) on the following items: |              |                     |                                    |             |
| Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes                          | <b>2,336</b> | 2,635               | –                                  | –           |
| Expenditure currently deductible but deferred and amortised for accounting purposes  | <b>391</b>   | 458                 | <b>5</b>                           | 14          |
| Sundry items   | –            | –                   | –                                  | –           |
|  | <i>16</i>    | <b>2,727</b>        | 3,093                              | <b>5</b> 14 |

**Future Income Tax Benefit**

Future income tax benefit reflects the future benefit at the current income tax rate of 36% (1998 – 36%) on the following items:

|   |              |              |           |              |
|---|--------------|--------------|-----------|--------------|
| Provisions, expenses and accrued employee entitlements not currently deductible                               | <b>2,607</b> | 2,748        | <b>87</b> | 85           |
| Tax losses carried forward  | <b>553</b>   | 753          | –         | –            |
| Difference in depreciation and amortisation of fixed and leased assets for accounting and income tax purposes | <b>307</b>   | 230          | <b>1</b>  | 2            |
|   | <i>13</i>    | <b>3,467</b> | 3,731     | <b>88</b> 87 |

**Future Income Tax Benefit Not Taken to Account**

Tax losses of \$520,000 in overseas controlled entities and gross capital losses of \$1,178,000 (1998 – \$1,632,000) in a controlled entity have not been recognised as an asset because they are not virtually certain to be realised.

**Dividend Franking Account**

As at 30 June, 1999 the parent entity's Dividend Franking Account "C" (36% credit) had a surplus of \$6,205,000 (1998 – \$5,392,000). All ordinary dividends paid or provided for during the year are fully franked. Details are disclosed in Note 6. The adjusted balance in accordance with AASB 1034 was a surplus of \$5,841,000 (1998 – \$5,018,000) for the Company and \$13,588,000 (1998 – \$11,487,000) for the Group attributable to members.

The parent entity is taxed as a public company.

**6 DIVIDENDS PROVIDED FOR OR PAID**

The amounts paid, declared or provided for by way of dividend by the parent entity are:

|   |              |       |              |       |
|---|--------------|-------|--------------|-------|
| (i) an interim fully franked ordinary dividend of 6.5 cents per share (1998 – 6.5 cents) was paid on 26 March 1999    | <b>1,073</b> | 1,036 | <b>1,073</b> | 1,036 |
| (ii) a final fully franked ordinary dividend of 7.5 cents per share (1998 – 6.5 cents) has been declared by Directors | <b>1,238</b> | 1,073 | <b>1,238</b> | 1,073 |
| Total as per Profit and Loss Account  | <b>2,311</b> | 2,109 | <b>2,311</b> | 2,109 |

|   | <b>1999</b>  | 1998                | <b>1999</b>                        | 1998  |
|---|--------------|---------------------|------------------------------------|-------|
|   | <b>\$000</b> | \$000               | <b>\$000</b>                       | \$000 |
|   | <i>Note</i>  | <i>Consolidated</i> | <i>Lemarne Corporation Limited</i> |       |
| <b>6 DIVIDENDS PROVIDED FOR OR PAID (Cont.)</b>   |              |                     |                                    |       |
| (iii) an unfranked preference dividend at a rate of 8% per annum was paid in January 1998 | –            | 69                  | –                                  | 69    |
| Total dividends paid  | <b>2,311</b> | 2,178               | <b>2,311</b>                       | 2,178 |

**7 EARNINGS PER SHARE**

|  |                         |            |
|--|-------------------------|------------|
| Basic earnings per share   | <b>29 cents</b>         | 24 cents   |
|  | <b>Number of Shares</b> |            |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | <b>16,506,744</b>       | 16,506,744 |

Diluted earnings per share has not been disclosed as it is not materially different from basic earning per share.

**Potential Ordinary Shares**

At 30 June 1999 the Company had on issue 157,000 options at an exercise price of \$3.96 (of which 147,000 were cancelled on 30 August 1999), 350,000 options at an exercise price of \$3.56 and 10,000 options at an exercise price of \$3.06 which have not been considered dilutive, as the exercise price was well in excess of the market price of \$2.25 at 30 June 1999.

The 30,000 partly paid shares at an issue price of \$1.08 are considered dilutive, but are not materially dilutive.

20 options over unissued ordinary shares have been granted to executives of U R Machinery Pty Ltd. As the conversion formula is based on the increased value of the company, and in particular the results of the company for 1999 – 2001, and on Lemarne's share price in the three month period from 21 February 2002, it is not yet possible to estimate the number of shares the option holders will be entitled to.

|                                   |    | <b>\$000</b>  | \$000  | <b>\$000</b> | \$000 |
|-----------------------------------|----|---------------|--------|--------------|-------|
| <b>8 RECEIVABLES</b>              |    |               |        |              |       |
| <b>Current</b>                    |    |               |        |              |       |
| Trade debtors                     | 27 | <b>22,709</b> | 25,605 | –            | –     |
| Less:                             |    |               |        |              |       |
| Provision for doubtful debts      |    | <b>(349)</b>  | (375)  | –            | –     |
|                                   |    | <b>22,360</b> | 25,230 | –            | –     |
| Bills receivable                  |    | –             | –      | –            | –     |
| Other debtors                     |    | <b>1,017</b>  | 364    | <b>550</b>   | 10    |
| Owing by related bodies corporate | 26 | –             | –      | –            | 1,500 |
|                                   |    | <b>23,377</b> | 25,594 | <b>550</b>   | 1,510 |
| <b>Non Current</b>                |    |               |        |              |       |
| Owing by related bodies corporate | 26 | –             | –      | <b>5,900</b> | 6,000 |

|   | <b>1999</b>         | 1998    | <b>1999</b>                        | 1998  |
|---|---------------------|---------|------------------------------------|-------|
|   | <b>\$000</b>        | \$000   | <b>\$000</b>                       | \$000 |
|   | <i>Consolidated</i> |         | <i>Lemarne Corporation Limited</i> |       |
| <b>9 INVENTORIES</b>                          |                     |         |                                    |       |
| Finished goods                                | <b>11,351</b>       | 10,315  | –                                  | –     |
| Less: Provision for obsolescence              | <b>(581)</b>        | (773)   | –                                  | –     |
|   | <b>10,770</b>       | 9,542   | –                                  | –     |
| Raw materials                                 | <b>15,009</b>       | 13,941  | –                                  | –     |
| Work in progress                              | <b>4,183</b>        | 4,617   | –                                  | –     |
|   | <b>29,962</b>       | 28,100  | –                                  | –     |
| <b>Construction Contracts</b>                 |                     |         |                                    |       |
| Construction work in progress                 | <b>280</b>          | 485     | –                                  | –     |
| Less: Progress billings                       | <b>(76)</b>         | (96)    | –                                  | –     |
|   | <b>204</b>          | 389     | –                                  | –     |
|   | <b>30,166</b>       | 24,489  | –                                  | –     |
| <b>10 OTHER CURRENT ASSETS</b>                |                     |         |                                    |       |
| Prepayments                                   | <b>844</b>          | 1,263   | <b>15</b>                          | 39    |
| Deposits                                      | <b>84</b>           | 66      | –                                  | –     |
|   | <b>928</b>          | 1,329   | <b>15</b>                          | 39    |
| <b>11 PROPERTY, PLANT AND EQUIPMENT</b>       |                     |         |                                    |       |
| Freehold land –                               |                     |         |                                    |       |
| At cost                                       | –                   | 112     | –                                  | –     |
| At independent valuation – 1999 (1998 – 1996) | <b>1,186</b>        | 1,002   | –                                  | –     |
|   | <b>1,186</b>        | 1,114   | –                                  | –     |
| Freehold buildings –                          |                     |         |                                    |       |
| At cost                                       | –                   | 543     | –                                  | –     |
| At independent valuation – 1999 (1998 – 1996) | <b>3,118</b>        | 2,000   | –                                  | –     |
| Less: Accumulated depreciation                | –                   | (94)    | –                                  | –     |
|   | <b>3,118</b>        | 2,449   | –                                  | –     |
| Leasehold land and buildings –                |                     |         |                                    |       |
| At independent valuation – 1999 (1998 – 1996) | <b>1,870</b>        | 1,990   | –                                  | –     |
| Less: Accumulated amortisation                | –                   | (102)   | –                                  | –     |
|   | <b>1,870</b>        | 1,888   | –                                  | –     |
| Leasehold improvements –                      |                     |         |                                    |       |
| At cost                                       | <b>2,287</b>        | 2,164   | –                                  | –     |
| Less: Accumulated amortisation                | <b>(1,286)</b>      | (1,011) | –                                  | –     |
|   | <b>1,001</b>        | 1,153   | –                                  | –     |

|   | <b>1999</b>               | 1998                | <b>1999</b>                        | 1998  |
|---|---------------------------|---------------------|------------------------------------|-------|
|   | <b>\$000</b>              | \$000               | <b>\$000</b>                       | \$000 |
|   | <i>Note</i>               | <i>Consolidated</i> | <i>Lemarne Corporation Limited</i> |       |
| <b>11 PROPERTY, PLANT AND EQUIPMENT (Cont.)</b>   |                           |                     |                                    |       |
| Plant and equipment –   |                           |                     |                                    |       |
| At cost   | <b>42,541</b>             | 41,220              | <b>175</b>                         | 122   |
| At directors' valuation – 1991  | <b>885</b>                | 885                 | –                                  | –     |
| Less: Accumulated depreciation  | <b>(21,647)</b>           | (20,921)            | <b>(66)</b>                        | (82)  |
|   | <b>21,779</b>             | 21,184              | <b>109</b>                         | 40    |
| Leased plant and equipment –  |                           |                     |                                    |       |
| At capitalised cost   | <b>1,121</b>              | 1,488               | <b>110</b>                         | 110   |
| Less: Accumulated amortisation  | <b>(496)</b>              | (471)               | <b>(70)</b>                        | (48)  |
|   | <b>625</b>                | 1,017               | <b>40</b>                          | 62    |
| Capital work in progress  | <b>151</b>                | 1,589               | –                                  | –     |
| Total property, plant and equipment – net book value  | <b>29,730</b>             | 30,394              | <b>149</b>                         | 102   |
| The freehold land and buildings were valued as at 30 June 1999 by Mr M P Ockenden, FAAIV and Mr E J Wesolek, AIVLE in Australia on the basis of current day market values, and by Lambert Smith Hampton and Fenn Wright Spurling in the UK. The leasehold land and buildings in Malaysia were valued on 17 May 1999 by C H Williams, Talhar and Wong Sdn Bhd of Penang, Malaysia on the basis of the present open market value of the property. |                           |                     |                                    |       |
| <b>12 INTANGIBLES</b>   |                           |                     |                                    |       |
| Goodwill on consolidation   | <i>28(4)</i> <b>2,716</b> | 4,708               | –                                  | –     |
| Less: Accumulated amortisation  | <b>(623)</b>              | (1,369)             | –                                  | –     |
|   | <b>2,093</b>              | 3,339               | –                                  | –     |
| Patents and intellectual property   | <b>2,500</b>              | 2,500               | –                                  | –     |
| Less: Accumulated amortisation  | <b>(250)</b>              | (125)               | –                                  | –     |
|   | <b>2,250</b>              | 2,375               | –                                  | –     |
|   | <b>4,343</b>              | 5,714               | –                                  | –     |
| <b>13 OTHER NON-CURRENT ASSETS</b>  |                           |                     |                                    |       |
| Deferred expenditure  |                           |                     |                                    |       |
| Relocation costs  | <b>370</b>                | 370                 | –                                  | –     |
| Less: Accumulated amortisation  | <b>(243)</b>              | (174)               | –                                  | –     |
|   | <b>127</b>                | 196                 | –                                  | –     |
| Share issue expenses  | <b>21</b>                 | 21                  | –                                  | –     |
| Less: Accumulated amortisation  | <b>(21)</b>               | (18)                | –                                  | –     |
|   | –                         | 3                   | –                                  | –     |

|  |              | <b>1999</b>         | 1998                               | <b>1999</b>  | 1998  |
|--|--------------|---------------------|------------------------------------|--------------|-------|
|  |              | <b>\$000</b>        | \$000                              | <b>\$000</b> | \$000 |
|  | <i>Note</i>  | <i>Consolidated</i> | <i>Lemarne Corporation Limited</i> |              |       |
| <b>13 OTHER NON-CURRENT ASSETS (Cont.)</b> |              |                     |                                    |              |       |
| Product development costs                  |              |                     |                                    |              |       |
| Expenditure brought forward                |              | <b>1,116</b>        | 447                                | –            | –     |
| Deferred in current period                 |              | <b>526</b>          | 669                                | –            | –     |
| Less: Disposed of in current period        | <i>28(4)</i> | <b>(1,060)</b>      | –                                  | –            | –     |
| Accumulated amortisation                   |              | –                   | (193)                              | –            | –     |
|  |              | <b>582</b>          | 923                                | –            | –     |
| Future income tax benefit                  | <i>5</i>     | <b>3,467</b>        | 3,731                              | <b>88</b>    | 87    |
|  |              | <b>4,176</b>        | 4,853                              | <b>88</b>    | 87    |

**14 ACCOUNTS PAYABLE****Current**

|                              |           |               |        |            |     |
|------------------------------|-----------|---------------|--------|------------|-----|
| Trade creditors              | <i>27</i> | <b>12,283</b> | 13,446 | –          | –   |
| Other creditors and accruals |           | <b>6,461</b>  | 7,732  | <b>482</b> | 165 |
|                              |           | <b>18,744</b> | 21,178 | <b>482</b> | 165 |

**Non-Current**

|                 |  |   |     |   |   |
|-----------------|--|---|-----|---|---|
| Other creditors |  | – | 460 | – | – |
|-----------------|--|---|-----|---|---|

**15 BORROWINGS****Current**

|                                |           |               |        |              |       |
|--------------------------------|-----------|---------------|--------|--------------|-------|
| Bank overdraft – secured       |           | <b>2,057</b>  | 2,313  | –            | –     |
| Bank loans and bills – secured |           | <b>16,572</b> | 13,318 | <b>4,000</b> | 5,000 |
| Lease liabilities              | <i>21</i> | <b>354</b>    | 330    | <b>7</b>     | 38    |
| Hire purchase liabilities      |           | <b>9</b>      | 56     | –            | –     |
| Redeemable preference shares   |           | –             | 6,600  | –            | –     |
|                                |           | <b>18,992</b> | 22,617 | <b>4,007</b> | 5,038 |

**Non-Current**

|                           |           |               |       |           |    |
|---------------------------|-----------|---------------|-------|-----------|----|
| Bank loans – secured      |           | <b>10,406</b> | 8,916 | –         | –  |
| Lease liabilities         | <i>21</i> | <b>498</b>    | 672   | <b>19</b> | 27 |
| Hire purchase liabilities |           | –             | 226   | –         | –  |
|                           |           | <b>10,904</b> | 9,814 | <b>19</b> | 27 |

The bank overdrafts, commercial bills and loans of controlled entities are secured by floating charges over the assets and undertakings of the economic entity and by guarantees from the ultimate parent entity.

|  |             | <b>1999</b>         | 1998  | <b>1999</b>                        | 1998  |
|--|-------------|---------------------|-------|------------------------------------|-------|
|  |             | <b>\$000</b>        | \$000 | <b>\$000</b>                       | \$000 |
|  | <i>Note</i> | <i>Consolidated</i> |       | <i>Lemarne Corporation Limited</i> |       |
| <b>15 BORROWINGS (Cont.)</b>   |             |                     |       |                                    |       |
| The 660,000 convertible redeemable non-cumulative non-participating preference shares in Lemvest Limited issued at \$10.00 each in April 1994 were not converted on the anniversary date. A general meeting of shareholders on 19 May 1999 approved a reduction in share capital and the said preference shares were cancelled on 3 June 1999. |             |                     |       |                                    |       |
| A long term bank borrowing of \$6,000,000 has been taken out by the Lemvest Limited to replace the preference shares. Of this \$500,000 must be repaid each year. This borrowing is secured by both a fixed and floating charge over the assets and undertakings of Lemvest Limited.   |             |                     |       |                                    |       |
| <b>16 PROVISIONS</b>   |             |                     |       |                                    |       |
| <b>Current</b>   |             |                     |       |                                    |       |
| Dividends  | 6           | <b>1,238</b>        | 1,073 | <b>1,238</b>                       | 1,073 |
| Interest on preference shares  |             | –                   | 229   | –                                  | –     |
| Income tax   | 5           | <b>2,121</b>        | 3,526 | <b>637</b>                         | 1     |
| Employee entitlements  |             | <b>2,116</b>        | 2,187 | <b>42</b>                          | 38    |
| Surplus leased premises  | 4           | <b>200</b>          | –     | –                                  | –     |
| Warranties   |             | <b>316</b>          | 211   | –                                  | –     |
| Other  |             | <b>16</b>           | –     | –                                  | –     |
|  |             | <b>6,007</b>        | 7,226 | <b>1,917</b>                       | 1,112 |
| <b>Non-Current</b>   |             |                     |       |                                    |       |
| Employee entitlements  |             | <b>2,387</b>        | 2,595 | <b>147</b>                         | 165   |
| Deferred income tax  | 5           | <b>2,727</b>        | 3,093 | <b>5</b>                           | 14    |
| Warranties   |             | <b>167</b>          | 121   | –                                  | –     |
|  |             | <b>5,281</b>        | 5,809 | <b>152</b>                         | 179   |
| <b>Aggregate employee entitlements</b>   |             |                     |       |                                    |       |
| Current  |             | <b>2,116</b>        | 2,187 | <b>42</b>                          | 38    |
| Non-current  |             | <b>2,387</b>        | 2,595 | <b>147</b>                         | 165   |
|  |             | <b>4,503</b>        | 4,782 | <b>189</b>                         | 203   |
| <b>17 OTHER</b>  |             |                     |       |                                    |       |
| <b>Current</b>   |             |                     |       |                                    |       |
| Deferred income/customer deposits  |             | <b>358</b>          | 460   | –                                  | –     |
| <b>Non-Current</b>   |             |                     |       |                                    |       |
| Deferred income  |             | <b>77</b>           | 96    | –                                  | –     |

|   | <b>1999</b>         | 1998  | <b>1999</b>                        | 1998  |
|---|---------------------|-------|------------------------------------|-------|
|   | <b>\$000</b>        | \$000 | <b>\$000</b>                       | \$000 |
|   | <i>Consolidated</i> |       | <i>Lemarne Corporation Limited</i> |       |
| <b>18 SHARE CAPITAL</b>                                   |                     |       |                                    |       |
| <b>Issued and Paid Up Capital</b>                         |                     |       |                                    |       |
| 16,506,466 (1998 – 16,506,466) ordinary shares fully paid | <b>4,542</b>        | 3,302 | <b>4,542</b>                       | 3,302 |
| 30,000 (1998 – 30,000) ordinary shares paid to 1 cent     | –                   | –     | –                                  | –     |
|   | <b>4,542</b>        | 3,302 | <b>4,542</b>                       | 3,302 |
| <b>Movements in Ordinary Share Capital</b>                |                     |       |                                    |       |
| Balance at beginning of the financial year                | <b>3,302</b>        | 3,802 | <b>3,302</b>                       | 3,802 |
| Preference share redemption                               | –                   | (500) | –                                  | (500) |
| Balance of share premium reserve <i>(See Note Below)</i>  | <b>1,240</b>        | –     | <b>1,240</b>                       | –     |
|   | <b>4,542</b>        | 3,302 | <b>4,542</b>                       | 3,302 |

**Note**

Changes to the Corporations Law which became effective on 1 July 1998 abolished the par value concept in relation to share capital. As a consequence the balance of the share premium reserve as at 1 July 1998 was transferred to the issued share capital account.

Details of the movements in reserves are disclosed in note 19 to the financial statements.

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

On 1 November 1996 the Company granted options over 350,000 unissued ordinary shares under the Key Executive Option Plan No.3 approved by Shareholders to four directors and officers of the company at an exercise price of \$3.56. On 12 December 1996 the Company granted a further 164,000 options to twenty-six employees of Spectra Lighting Pty Ltd and 10,000 to an employee of the Company at an exercise price of \$3.96. 17,000 of these options have since been cancelled leaving 157,000 on issue at year end of which 147,000 lapsed on 30 August 1999 following the sale of Spectra International Pty Ltd on 30 June 1999. On 17 February 1999 the Company granted a further 10,000 options to an employee of the Company at an exercise price of \$3.06.

Under the plan 50 per cent of the options granted may be exercised after the second anniversary but before the fourth, while the outstanding options may be exercised after the fourth anniversary but before the fifth.

On 21 May 1998 the Company granted options over 20 unissued ordinary shares under the Subsidiary Executive Option Plan No.2 approved by Shareholders to four employees of U R Machinery Pty Ltd. In the event that U R Machinery Pty Ltd is not listed on the Australian Stock Exchange, the option holders are entitled to shares in Lemarne Corporation Ltd. As the conversion formula is based on the price of Lemarne shares at the date of conversion and on the increased value of the company for the three year period 1999 – 2001, it is not yet possible to estimate the number of shares the option holders will be entitled to. The options may be exercised for a period of three months from 21 February 2002.

|   | <b>1999</b>    | 1998                | <b>1999</b>                        | 1998    |
|---|----------------|---------------------|------------------------------------|---------|
|   | <b>\$000</b>   | \$000               | <b>\$000</b>                       | \$000   |
|   | <i>Note</i>    | <i>Consolidated</i> | <i>Lemarne Corporation Limited</i> |         |
| <b>19 RESERVES</b>  |                |                     |                                    |         |
| <b>Capital</b>  |                |                     |                                    |         |
| Share premium   | –              | 1,258               | –                                  | 1,240   |
| Asset revaluation   | <b>1,846</b>   | 1,227               | –                                  | –       |
| <b>Revenue</b>  |                |                     |                                    |         |
| Foreign currency translation  | <b>(1,226)</b> | (584)               | –                                  | –       |
|   | <b>620</b>     | 1,901               | –                                  | 1,240   |
| <b>Movements During the Year</b>  |                |                     |                                    |         |
| <i>Share Premium</i>  |                |                     |                                    |         |
| Balance 30 June 1998  | <b>1,258</b>   | 2,258               | <b>1,240</b>                       | 2,240   |
| Preference share redemption   | –              | (1,000)             | –                                  | (1,000) |
| Transfer to share capital   | <b>(1,240)</b> | –                   | <b>(1,240)</b>                     | –       |
| Transfer to retained profits  | <b>(18)</b>    | –                   | –                                  | –       |
| Balance 30 June 1999  | –              | 1,258               | –                                  | 1,240   |
| <i>Asset Revaluation</i>  |                |                     |                                    |         |
| Balance 30 June 1998  | <b>1,227</b>   | 1,227               | –                                  | –       |
| Revaluation of freehold and leasehold land and buildings                        | <b>619</b>     | –                   | –                                  | –       |
| Balance 30 June 1999  | <b>1,846</b>   | 1,227               | –                                  | –       |
| <i>Foreign Currency Translation</i>   |                |                     |                                    |         |
| Balance 30 June 1998  | <b>(584)</b>   | 251                 | –                                  | –       |
| Gain (Loss) on translation of overseas controlled entity's financial statements | <b>(642)</b>   | (835)               | –                                  | –       |
| Balance 30 June 1998  | <b>(1,226)</b> | (584)               | –                                  | –       |
| TOTAL RESERVES  | <b>620</b>     | 1,901               | –                                  | 1,240   |
| <b>20 OUTSIDE EQUITY INTERESTS</b>  |                |                     |                                    |         |
| Share capital of controlled entities issued to outside equity interests:        |                |                     |                                    |         |
| <b>Interest in share capital</b> <i>(see Note on Next Page)</i>                 | <b>5,415</b>   | 2,750               |                                    |         |
| Interests in retained profits at beginning of the financial year                | <b>5,103</b>   | 4,897               |                                    |         |
| Interests in operating profit after tax for the year                            | <b>1,647</b>   | 1,202               |                                    |         |
| Interests disposed of   | <b>(110)</b>   | –                   |                                    |         |
| Dividends   | <b>(989)</b>   | (996)               |                                    |         |
| <b>Interest in retained profits</b> <i>(see Note on Next Page)</i>              | <b>5,651</b>   | 5,103               |                                    |         |
| <b>Interest in reserves</b>   | <b>(1,053)</b> | 1,559               |                                    |         |
| Total Outside Equity Interests  | <b>10,013</b>  | 9,412               |                                    |         |

| <b>1999</b>  | 1998  | <b>1999</b>  | 1998  |
|--------------|-------|--------------|-------|
| <b>\$000</b> | \$000 | <b>\$000</b> | \$000 |

*Consolidated**Lemarne Corporation Limited***20 OUTSIDE EQUITY INTERESTS****Note**

The balance of the share premium reserve which totalled \$2,789,000 for outside equity interests was transferred to the share capital account on 1 July 1998. Refer Note 18.

**21 COMMITMENTS AND CONTINGENT LIABILITIES**

The estimated maximum amount of commitments and contingent liabilities not provided for in the financial statements of the group as at 30 June 1999 are set out below:

**Superannuation Commitments**

The ultimate parent entity and other controlled entities contribute to a group employee superannuation fund. Company contributions are charged as an expense when incurred. Employee contributions are based on various percentages of their gross salaries. After serving a qualifying period in some instances and subject to legislation applicable in the country in which the employee is employed, all employees are entitled to benefits on retirement, disability or death. The Fund is an accumulation type fund. The group has no legal obligation to provide benefits to employees on retirement.

The controlled entity, Pultrex Ltd also has operated a defined benefit scheme. There are currently no members in this scheme accruing benefits in respect of future service and the Scheme is currently being wound up. The Scheme is believed to be in surplus.

**Operating Lease Rental Commitments**

Future operating lease rentals of property:

Due:

|  |              |       |           |    |
|--|--------------|-------|-----------|----|
| not later than one year                            | <b>1,280</b> | 2,281 | <b>40</b> | 40 |
| later than one year but not later than two years   | <b>774</b>   | 1,697 | <b>7</b>  | 40 |
| later than two years but not later than five years | <b>850</b>   | 2,107 | –         | 7  |
| later than five years                              | –            | –     | –         | –  |
|  | <b>2,904</b> | 6,085 | <b>47</b> | 87 |

**Finance Lease Commitments**

Included as lease liabilities are the present values of future rentals for leased assets capitalised:

|             |            |       |           |    |
|-------------|------------|-------|-----------|----|
| Current     | <b>363</b> | 330   | <b>7</b>  | 38 |
| Non-Current | <b>498</b> | 672   | <b>20</b> | 27 |
|             | <b>861</b> | 1,002 | <b>27</b> | 65 |

|   | <b>1999</b>         | 1998  | <b>1999</b>                        | 1998  |
|---|---------------------|-------|------------------------------------|-------|
|   | <b>\$000</b>        | \$000 | <b>\$000</b>                       | \$000 |
|   | <i>Consolidated</i> |       | <i>Lemarne Corporation Limited</i> |       |
| <b>21 COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)</b>  |                     |       |                                    |       |
| <b>Finance Lease Commitments (Cont.)</b>  |                     |       |                                    |       |
| Lease commitments in respect of capitalised finance leases are payable as follows:  |                     |       |                                    |       |
| not later than one year   | <b>437</b>          | 407   | <b>9</b>                           | 43    |
| later than one year but not later than two years  | <b>410</b>          | 443   | <b>20</b>                          | 9     |
| later than two years but not later than five years  | <b>136</b>          | 296   | –                                  | 20    |
|   | <b>983</b>          | 1,146 | <b>29</b>                          | 72    |
| Deduct: Future finance charges  | <b>122</b>          | 144   | <b>2</b>                           | 7     |
| Total lease liability   | <b>861</b>          | 1,002 | <b>27</b>                          | 65    |
| <b>Capital Expenditure Commitments</b>  |                     |       |                                    |       |
| Contracted for at balance date but not provided for   | <b>406</b>          | 1,477 | –                                  | –     |
| Authorised at balance date but not contracted for   | <b>75</b>           | 2     | –                                  | –     |
|   | <b>481</b>          | 1,479 | –                                  | –     |
| The above capital expenditure commitments are due not later than one year   |                     |       |                                    |       |
| <b>Contingent Liabilities</b>   |                     |       |                                    |       |
| In respect of related entities:   |                     |       |                                    |       |
| (a) Unlimited guarantee by the parent entity of bank accommodation of controlled entities   |                     |       |                                    |       |
| (b) In respect of letters of credit established by controlled entities which are payable to the bank  | <b>113</b>          | 223   | –                                  | –     |
| (c) A claim for unfair dismissal has been made in the UK against the Receivers of A1 Security & Electrical Ltd in which we have been joined as a party to the claim. Directors, on the basis of legal advice, are of the opinion that the claim is without merit, and have defended it vigorously, and so far successfully. The maximum exposure is thought to be \$50,000. |                     |       |                                    |       |
| <b>Service Agreements</b>   |                     |       |                                    |       |
| The maximum contingent liability of the company and its subsidiaries for termination benefits under service agreements with Directors and persons who take part in the management of the company as at balance date   | <b>696</b>          | 1,123 | –                                  | –     |

|  | <b>1999</b>         | 1998  | <b>1999</b>                        | 1998  |
|--|---------------------|-------|------------------------------------|-------|
|  | <b>\$000</b>        | \$000 | <b>\$000</b>                       | \$000 |
|  | <i>Consolidated</i> |       | <i>Lemarne Corporation Limited</i> |       |

**22 INVESTMENTS**

Non-Current

|   |   |   |               |        |
|---|---|---|---------------|--------|
| Shares in controlled entities – at cost | – | – | <b>10,305</b> | 12,473 |
|---|---|---|---------------|--------|

**Controlled Entities**

| Name of Entity                    | Country of Incorporation    | Ownership Interest |      |
|-----------------------------------|-----------------------------|--------------------|------|
|                                   |                             | 1999               | 1998 |
|                                   |                             | %                  | %    |
| <b>Parent Entity</b>              |                             |                    |      |
| Lemarne Corporation Ltd           | Australia                   |                    |      |
| <b>Controlled Entities</b>        |                             |                    |      |
| Spectra International Pty Ltd     | Australia <sup>4</sup>      | –                  | 100  |
| <i>Controlled Entity</i>          |                             |                    |      |
| – Spectra Lighting Pty Ltd        | Australia                   | –                  | 100  |
| Pacific Composites Pty Ltd        | Australia                   | <b>100</b>         | 100  |
| <i>Controlled Entities</i>        |                             |                    |      |
| – Pacific Composites (Europe) Ltd | United Kingdom <sup>3</sup> | <b>100</b>         | 100  |
| – Fibreforce Composites Ltd       | United Kingdom <sup>3</sup> | <b>100</b>         | 100  |
| – Pultrex Ltd                     | United Kingdom <sup>3</sup> | <b>100</b>         | 100  |
| – Pacific Composites (NZ) Ltd     | New Zealand <sup>1</sup>    | <b>100</b>         | 100  |
| U R Machinery Pty Ltd             | Australia <sup>2</sup>      | <b>100</b>         | 100  |
| Lemvest Ltd                       | Australia                   | <b>59</b>          | 58   |
| <i>Controlled Entities</i>        |                             |                    |      |
| – Fine Pearl Sdn Bhd              | Malaysia <sup>1</sup>       | <b>100</b>         | 100  |
| – Lemtronics Sdn Bhd              | Malaysia <sup>1</sup>       | <b>100</b>         | 100  |
| – Richardson Pacific Ltd          | Australia                   | <b>100</b>         | 100  |
| – Screenex Australia Pty Ltd      | Australia                   | <b>100</b>         | –    |
| – Richardson Pacific (NZ) Ltd     | New Zealand <sup>3</sup>    | <b>100</b>         | 100  |
| – Richardson Pacific (Asia) Ltd   | Hong Kong <sup>3</sup>      | <b>100</b>         | 100  |
| – PT Lunto Richpac                | Indonesia <sup>3</sup>      | <b>70</b>          | 70   |
| – Com 10 Pty Ltd                  | Australia                   | <b>100</b>         | 100  |
| – Com 10 Manufacturing Pty Ltd    | Australia                   | <b>100</b>         | 100  |
| – Comten (Malaysia) Sdn Bhd       | Malaysia <sup>1</sup>       | <b>70</b>          | –    |
| – Boardfinish Ltd                 | United Kingdom <sup>3</sup> | <b>100</b>         | 100  |

<sup>1</sup> Controlled entities not audited by Deloitte Touche Tohmatsu at 30 June 1999. The Malaysian entities were audited by KPMG Peat Marwick, Penang, Malaysia. The New Zealand entity did not trade and did not need to be audited.

<sup>2</sup> U R Machinery Pty Ltd had its accounts reviewed by Taxation & Accounting Services Sunraysia, Mildura, Victoria, an associate of Deloitte Touche Tohmatsu.

<sup>3</sup> Controlled entities audited by associated firms of Deloitte Touche Tohmatsu International.

<sup>4</sup> Spectra International Pty Ltd was disposed of on 30 June 1999.

|  | Note  | Consideration<br>\$000 | Consolidated Profit<br>on Disposal<br>\$000 | The Consolidated<br>Entity's Interest<br>% |
|--|-------|------------------------|---|--|
| <b>23 ACQUISITION/DISPOSAL OF CONTROLLED ENTITIES</b>  |       |                        |   |  |
| <b>1999 Acquisitions</b>   |       |                        |   |  |
| No entities or businesses were acquired during the financial year apart from two Shelf companies, Screenex Australia Pty Ltd, and Comten (Malaysia) Sdn Bhd              |       | –                      | N/A   | –  |
| <b>1998 Acquisitions</b>   |       |                        |   |  |
| U R Machinery Pty Ltd. The entity was acquired for cash on 12 December 1997 and the operating results from that date have been included in consolidated operating profit |       | 8,129                  | N/A   | 100  |
| In August 1997 Pacific Composites Pty Ltd overseas controlled entity Fibreforce Composites Ltd acquired the Techbuild business in the UK                                 |       | 1,119                  | N/A   | 100  |
| In January 1998 Boardfinish Ltd, an overseas controlled entity of Lemvest Ltd acquired the A1 Security and Electrical business in the UK and on-sold it in February 1998 |       | 251                    | N/A   | 100  |
| <b>1999 Disposals</b>  |       |                        |   |  |
| Spectra International Pty Ltd was disposed of on 30 June 1999 and the operating results to that date have been included in consolidated operating profit                 | 28(4) | 5,550                  | 3,337                                       | –  |
| In October 1998 Fibreforce Composites Ltd disposed of part of the Techbuild business in the UK   |       | 452                    | 217   | –  |
| <b>1998 Disposals</b>  |       |                        |   |  |
| No disposals   |       | –                      | –   | –  |
|  |       | <b>1999<br/>\$000</b>  | 1998<br>\$000                               | <b>1999<br/>\$000</b> 1998<br>\$000        |
|  |       | <i>Consolidated</i>    |   | <i>Lemarne Corporation Limited</i>         |

**24 DIRECTORS' AND EXECUTIVES' REMUNERATION****Remuneration of Directors**

Total income paid or payable, or otherwise made available, to all Directors of each entity in the economic entity from operations of which they are Directors or any related party (includes Directors' fees of \$180,000 (1998 – \$160,000))

|  |              |       |            |     |
|--|--------------|-------|------------|-----|
|  | <b>3,530</b> | 3,212 | <b>731</b> | 696 |
| The number of directors of the Company, including executive directors, whose income from the Company and any related party was within the following bands: |              |       |            |     |
| \$ 50,000 – \$ 59,999  |              |       | <b>No.</b> | No. |
|  |              |       | –          | 2   |
| \$ 70,000 – \$ 79,999  |              |       | <b>2</b>   | –   |
| \$ 130,000 – \$ 139,999  |              |       | <b>1</b>   | 1   |
| \$ 170,000 – \$ 179,999  |              |       | <b>1</b>   | –   |
| \$ 190,000 – \$ 199,999  |              |       | –          | 1   |
| \$ 250,000 – \$ 259,999  |              |       | –          | 1   |
| \$ 260,000 – \$ 269,999  |              |       | <b>1</b>   | –   |
| No director received income in bands of income not shown.  |              |       |            |     |

|  | <b>1999</b>         | 1998 | <b>1999</b>                        | 1998 |
|--|---------------------|------|------------------------------------|------|
|  | <i>Consolidated</i> |      | <i>Lemarne Corporation Limited</i> |      |

## 24 DIRECTORS' AND EXECUTIVES' REMUNERATION (Cont.)

### Remuneration of Executives

The number of Australian based executive officers whose remuneration equals or exceeds \$100,000 from the parent entity and any related party, within the following bands is:

|                         | <b>No.</b> | No. | <b>No.</b> | No. |
|-------------------------|------------|-----|------------|-----|
| \$ 100,000 – \$ 109,999 | <b>3</b>   | 8   | –          | –   |
| \$ 110,000 – \$ 119,999 | <b>6</b>   | 7   | –          | –   |
| \$ 120,000 – \$ 129,999 | <b>4</b>   | 2   | –          | –   |
| \$ 130,000 – \$ 139,999 | <b>4</b>   | 1   | <b>1</b>   | 1   |
| \$ 140,000 – \$ 149,999 | <b>2</b>   | 3   | –          | –   |
| \$ 150,000 – \$ 159,999 | –          | 2   | –          | –   |
| \$ 160,000 – \$ 169,999 | <b>1</b>   | 1   | –          | –   |
| \$ 170,000 – \$ 179,999 | <b>1</b>   | –   | –          | –   |
| \$ 180,000 – \$ 189,999 | <b>2</b>   | –   | –          | –   |
| \$ 190,000 – \$ 199,999 | <b>1</b>   | 1   | –          | –   |
| \$ 210,000 – \$ 219,999 | <b>1</b>   | –   | –          | –   |
| \$ 250,000 – \$ 259,999 | –          | 1   | –          | 1   |
| \$ 260,000 – \$ 269,999 | <b>2</b>   | –   | <b>1</b>   | –   |
| \$ 290,000 – \$ 299,999 | –          | 1   | –          | –   |

No Australian based executive received income in bands of income not shown.

|  | <b>1999</b>  | 1998  | <b>1999</b>  | 1998  |
|--|--------------|-------|--------------|-------|
|  | <b>\$000</b> | \$000 | <b>\$000</b> | \$000 |
| Total remuneration received, or due and receivable, by these executives from the parent entity and any related party | <b>3,966</b> | 3,372 | <b>406</b>   | 387   |

The income of executives who work wholly or mainly outside Australia is not included in this disclosure.

Executive remuneration packages in the economic entity include a substantial profit share component.

### Retirement Benefits

No retirement benefits were paid during the year (1998 – Nil).

|   | <b>1999</b>          | 1998               | <b>1999</b>                                   | 1998               | <b>1999</b>    | 1998           |
|---|----------------------|--------------------|---|--------------------|----------------|----------------|
|   | <b>\$000</b>         | \$000              | <b>\$000</b>                                  | \$000              | <b>\$000</b>   | \$000          |
|   | <i>Sales Revenue</i> |                    | <i>Operating Profit<br/>Before Income Tax</i> |                    | <i>Assets</i>  |                |
| <b>25 STATEMENT OF OPERATIONS OF SEGMENTS</b> |                      |                    |   |                    |                |                |
| <b>Industry Segments</b>                      |                      |                    |   |                    |                |                |
| Agricultural Equipment                        | <b>7,317</b>         | 6,178              | <b>1,756</b>                                  | 1,549              | <b>11,290</b>  | 7,832          |
| Electronics                                   | <b>42,004</b>        | 26,173             | <b>803</b>                                    | (1,305)            | <b>17,987</b>  | 21,857         |
| Lighting                                      | <b>15,217</b>        | 14,312             | <b>688</b>                                    | 835                | –              | 8,232          |
| Perforated Metals                             | <b>29,452</b>        | 29,501             | <b>3,719</b>                                  | 3,756              | <b>26,640</b>  | 27,322         |
| Reinforced Plastics                           | <b>26,238</b>        | 29,951             | <b>(1,372)</b>                                | 1,499              | <b>18,151</b>  | 21,039         |
| Telecommunications                            | <b>36,141</b>        | 32,680             | <b>2,268</b>                                  | 2,306              | <b>19,834</b>  | 17,377         |
| Investment                                    | –                    | –                  | <b>2,662<sup>1</sup></b>                      | (540) <sup>1</sup> | <b>9,416</b>   | 3,430          |
|   | <b>156,369</b>       | 138,795            | <b>10,524</b>                                 | 8,100              | <b>103,318</b> | 107,089        |
| <b>Geographical Segments</b>                  |                      |                    |   |                    |                |                |
| Australasia                                   | <b>97,072</b>        | 90,671             | <b>12,999</b>                                 | 9,115              | <b>70,834</b>  | 67,448         |
| Asia  | <b>45,975</b>        | 30,006             | <b>489</b>                                    | (245)              | <b>21,985</b>  | 26,104         |
| Europe  | <b>13,322</b>        | 18,118             | <b>(2,942)</b>                                | (770)              | <b>10,499</b>  | 13,537         |
|   | <b>156,369</b>       | 138,795            | <b>10,546</b>                                 | 8,100              | <b>103,318</b> | 107,089        |
| <b>Sales by Destination (\$000)</b>           |                      |                    |   |                    |                |                |
|   |                      | <i>Australasia</i> | <i>Asia</i>                                   | <i>Europe</i>      | <i>Other</i>   | <i>TOTAL</i>   |
| <b>1999</b>                                   |                      | <b>81,869</b>      | <b>12,037</b>                                 | <b>55,433</b>      | <b>7,030</b>   | <b>156,369</b> |
| 1998  |                      | 74,925             | 17,640  | 43,460             | 2,770          | 138,795        |

The principle activities of the economic entity are described elsewhere in this report.

There were no material intersegment sales.

<sup>1</sup> After abnormal profit of \$3,206,000 on the sale of our lighting subsidiary and after expensing \$428,000 interest on preference shares (1998 – \$531,000)

## 26 RELATED PARTY DISCLOSURES

### Directors and their related entities

The names of each person holding the position of Director of Lemarne Corporation Limited during the financial year are Messrs E B Noxon, P G Davenport, J C Larking, G R Capper and S L Mason. Messrs E B Noxon and P G Davenport were directors of controlled entities, Spectra International Pty Ltd and Spectra Lighting Pty Ltd, and are also directors of U R Machinery Pty Ltd and Com 10 Pty Ltd, together with Mr S L Mason. Messrs E B Noxon, P G Davenport and J C Larking are directors of controlled entity Lemvest Limited and Lemtronics Sdn Bhd. Messrs E B Noxon, J C Larking and G R Capper are directors of controlled entity Pacific Composites Pty Ltd. Messrs E B Noxon and J C Larking are also directors of controlled entity Richardson Pacific Limited. G R Capper's director's fees are payable to Pacific Composites Pty Ltd. Messrs E B Noxon and S L Mason are directors of controlled entity Boardfinish Ltd. Details of directors' remuneration and retirement payments are set out in Note 24.

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

The aggregate number of ordinary shares in which directors of the parent entity and their director related entities had either a direct or indirect interest at balance date was 6,068,384 (1998 – 6,034,084 ordinary shares).

During the period the aggregate number of ordinary shares acquired either directly or indirectly by directors or their director related entities was 34,300 (1998 – 49,000) ordinary shares and there were no disposals (1998 – 4,355). The shares were purchased on the market at the prevailing market price.

From time to time Directors of the Company or its controlled entities may purchase goods from the economic entity. These purchases are on the same terms and conditions as those entered into by other economic entity employees.

### Controlled Entities

Details of interests in controlled entities are set out in Note 22. Details of dealings with controlled entities are set out below.

#### *Wholly Owned*

During the year Richardson Pacific Ltd made sales to Spectra Lighting Pty Ltd totalling \$5,000 (1998 – \$45,000, Spectra Lighting Pty Ltd to Richardson Pacific Ltd and Pacific Composites Pty Ltd) on normal trading terms. At 30 June 1999 no amounts were outstanding (1998 – \$Nil).

During the year the Company provided management, accounting and secretarial services to its wholly owned controlled entities, Pacific Composites Pty Ltd, Spectra Lighting Pty Ltd and U R Machinery Pty Ltd. The fees for these services are included in the operating result of the parent entity for the year, and totalled \$635,000 (1998 – \$550,000).

At 30 June 1999 the loans outstanding totalled \$5,900,000 (1998 – \$7,500,000). Interest charged on loans to controlled entities totalled \$5,000 (1998 – \$86,000) for the year.

A dividend of \$1,700,000 was received by the Company from Spectra International Pty Ltd, a wholly owned controlled entity (1998 – \$Nil). No dividends were received from Pacific Composites Pty Ltd or U R Machinery Pty Ltd.

|   |             | <b>1999</b>  | 1998                               |
|---|-------------|--------------|------------------------------------|
|   |             | <b>\$000</b> | \$000                              |
|   | <i>Note</i> |              | <i>Lemarne Corporation Limited</i> |
| <b>26 RELATED PARTY DISCLOSURES (Cont.)</b>   |             |              |                                    |
| <b>Controlled Entities (Cont.)</b>  |             |              |                                    |
| <i>Wholly Owned (Cont.)</i>   |             |              |                                    |
| The aggregate amounts receivable from/and payable to wholly owned controlled entities by the Company at balance date:   |             |              |                                    |
| <b>Amounts Receivable</b>   |             |              |                                    |
| Amounts received or receivable from wholly owned controlled entities in relation to:  |             |              |                                    |
| Dividends   |             | <b>1,700</b> | –                                  |
| Management fees   |             | <b>522</b>   | 442                                |
| Accounting and secretarial fees   |             | <b>113</b>   | 108                                |
| Directors' fees   |             | <b>90</b>    | 44                                 |
| Interest  | 2           | <b>5</b>     | 86                                 |
| Amounts owing by wholly owned controlled entities:  |             |              |                                    |
| Interest bearing loan   | 8           | –            | –                                  |
| <i>Partly Owned</i>   |             |              |                                    |
| During the year the Company entered into transactions with its partly owned controlled entity, providing management, accounting and secretarial services to Lemvest Limited. The fees for these services are included in the operating result of the parent entity for the year, and totalled \$445,000 (1998 – \$440,000). |             |              |                                    |
| Dividends received by the Company from partly owned controlled entities were \$1,398,000 (1998 – \$1,398,000).  |             |              |                                    |
| The aggregate amounts receivable from/and payable to partly owned controlled entities by the Company at balance date:   |             |              |                                    |
| <b>Amounts Receivable</b>   |             |              |                                    |
| Amounts received or receivable from partly owned controlled entities in relation to:  |             |              |                                    |
| Management fees   |             | <b>360</b>   | 380                                |
| Accounting and secretarial fees   |             | <b>85</b>    | 60                                 |
| Directors' fees   |             | <b>40</b>    | 34                                 |
| Amounts owing by partly owned controlled entities:  |             |              |                                    |
| Amounts not bearing interest  | 8           | –            | –                                  |
| Other related party disclosures are contained in Notes 2, 3, 8, 14, 15, 20, 21, 23 and 24.  |             |              |                                    |

**1999**      1998  
**\$000**      \$000

*Consolidated*

## 27 AMOUNTS PAYABLE/RECEIVABLE IN FOREIGN CURRENCIES

The Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year end exchange rates, are as follows:

### Accounts Payable

|                        |              |       |
|------------------------|--------------|-------|
| United States Dollars: |              |       |
| Current                | <b>1,113</b> | 2,458 |
| Deutsche Marks:        |              |       |
| Current                | <b>828</b>   | 1,118 |
| Singapore Dollars:     |              |       |
| Current                | <b>205</b>   | 557   |
| Hong Kong Dollars:     |              |       |
| Current                | <b>157</b>   | 89    |
| Japanese Yen:          |              |       |
| Current                | <b>52</b>    | 23    |
| Indonesian Rupiah:     |              |       |
| Current                | <b>24</b>    | 21    |
| Swiss Francs:          |              |       |
| Current                | <b>8</b>     | 10    |
| British Pounds:        |              |       |
| Current                | <b>10</b>    | 1     |
| Euro Dollars:          |              |       |
| Current                | <b>36</b>    | –     |

### Accounts Receivable

|                        |              |       |
|------------------------|--------------|-------|
| United States Dollars: |              |       |
| Current                | <b>4,117</b> | 2,292 |
| Deutsche Marks:        |              |       |
| Current                | <b>3,328</b> | 3,330 |
| Hong Kong Dollars:     |              |       |
| Current                | <b>315</b>   | 777   |
| Singapore Dollars:     |              |       |
| Current                | <b>135</b>   | 126   |
| British Pounds:        |              |       |
| Current                | –            | 29    |
| Indonesian Rupiah:     |              |       |
| Current                | <b>15</b>    | 3     |
| Euro Dollars:          |              |       |
| Current                | <b>37</b>    | –     |

|  | <b>1999</b>         | 1998    | <b>1999</b>                        | 1998    |
|--|---------------------|---------|------------------------------------|---------|
|  | <b>\$000</b>        | \$000   | <b>\$000</b>                       | \$000   |
|  | <i>Consolidated</i> |         | <i>Lemarne Corporation Limited</i> |         |
| <b>28 NOTES TO THE STATEMENT OF CASH FLOWS</b>   |                     |         |                                    |         |
| <b>(1) Reconciliation of Cash</b>  |                     |         |                                    |         |
| For the purposes of the Statement of Cash Flows, cash includes cash on hand and at Bank and short term deposits at call, net of outstanding bank overdrafts. |                     |         |                                    |         |
| Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheets as follows:        |                     |         |                                    |         |
| Cash   | <b>9,565</b>        | 7,886   | <b>6,880</b>                       | 308     |
| Short Term Deposits  | <b>1,033</b>        | 2,830   | –                                  | 300     |
| Bank Overdraft   | <b>(2,057)</b>      | (2,313) | –                                  | –       |
|  | <b>8,541</b>        | 8,403   | <b>6,880</b>                       | 608     |
| <b>(2) Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities</b>  |                     |         |                                    |         |
| Operating Profit after Income Tax  | <b>6,446</b>        | 5,208   | <b>5,323</b>                       | 8,724   |
| Add (Less) items classified as investing/financing activities  |                     |         |                                    |         |
| (Profit)/Loss on sale of non-current assets  | <b>294</b>          | 70      | <b>(2)</b>                         | –       |
| (Profit)/Loss on sale of controlled Entity/investment  | <b>(3,376)</b>      | –       | <b>(2,934)</b>                     | (7,400) |
| Add (Less) non-cash items  |                     |         |                                    |         |
| Amortisation   | <b>1,311</b>        | 1,238   | <b>22</b>                          | 22      |
| Amounts set aside to provisions  | <b>1,929</b>        | 2,236   | <b>(14)</b>                        | 26      |
| Bad Debts  | <b>244</b>          | 1,602   | –                                  | –       |
| Depreciation   | <b>5,376</b>        | 4,966   | <b>16</b>                          | 18      |
| Write down of inventory  | <b>446</b>          | 296     | –                                  | –       |
| Fixed assets scrapped  | <b>5</b>            | 115     | –                                  | –       |
| Discount on acquisition  | <b>(43)</b>         | (44)    | –                                  | –       |
| Unrealised foreign exchange gain (loss) on translation of controlled entity  | <b>28</b>           | (1,083) | –                                  | –       |
| Net cash provided by operating activities before change in assets and liabilities  | <b>12,660</b>       | 14,604  | <b>2,411</b>                       | 1,390   |

|   | <b>1999</b>         | 1998    | <b>1999</b>                        | 1998  |
|---|---------------------|---------|------------------------------------|-------|
|   | <b>\$000</b>        | \$000   | <b>\$000</b>                       | \$000 |
|   | <i>Consolidated</i> |         | <i>Lemarne Corporation Limited</i> |       |
| <b>28 NOTES TO THE STATEMENT OF CASH FLOWS (Cont.)</b>  |                     |         |                                    |       |
| <b>(2) Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities (Cont.)</b> |                     |         |                                    |       |
| Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities               |                     |         |                                    |       |
| (Increase)/decrease in inventories  | <b>(4,547)</b>      | (2,577) | –                                  | –     |
| (Increase)/decrease in prepayments/deposits   | <b>422</b>          | 9       | <b>24</b>                          | 9     |
| (Increase)/decrease in trade and other debtors  | <b>(793)</b>        | (3,767) | <b>10</b>                          | (5)   |
| (Increase)/decrease in loans to controlled entities   | –                   | –       | –                                  | –     |
| (Decrease)/increase in trade and other creditors  | <b>(752)</b>        | 4,405   | <b>29</b>                          | (84)  |
| (Decrease)/increase in provisions   | <b>(1,193)</b>      | (1,080) | –                                  | –     |
| (Decrease)/increase in income received in advance   | <b>(121)</b>        | (295)   | –                                  | (8)   |
| (Decrease)/increase in income tax payable   | <b>(1,345)</b>      | (33)    | <b>635</b>                         | (35)  |
| (Decrease)/increase in deferred taxes payable   | <b>(5)</b>          | (1,173) | <b>(11)</b>                        | (1)   |
| Net cash provided by operating activities   | <b>4,326</b>        | 10,093  | <b>3,098</b>                       | 1,266 |
| <b>(3) Acquisition of Controlled Entities</b>   |                     |         |                                    |       |
| Aggregate details of these transactions are:  |                     |         |                                    |       |
| Fair value of net assets acquired:  |                     |         |                                    |       |
| Property, plant and equipment   | –                   | 1,674   |                                    |       |
| Cash  | –                   | 1,187   |                                    |       |
| Inventories   | –                   | 2,210   |                                    |       |
| Receivables   | –                   | 1,515   |                                    |       |
| Prepayments   | –                   | 28      |                                    |       |
| Intellectual property   | –                   | 2,500   |                                    |       |
| Future income tax benefit   | –                   | 116     |                                    |       |
| Creditors and borrowings  | <b>98</b>           | (983)   |                                    |       |
| Provisions  | –                   | (1,024) |                                    |       |
| Outside equity interests  | <b>2</b>            | –       |                                    |       |
| Fair Value of Net Assets acquired   | <b>100</b>          | 7,223   |                                    |       |
| Purchase Price  | <b>118</b>          | 9,326   |                                    |       |
| Goodwill on consolidation   | <b>18</b>           | 2,103   |                                    |       |
| Consideration (cash)  | <b>118</b>          | 9,326   |                                    |       |
| Less: Net cash acquired   | –                   | 1,187   |                                    |       |
| Net cash payment  | <b>118</b>          | 8,139   |                                    |       |

|              |       |
|--------------|-------|
| <b>1999</b>  | 1998  |
| <b>\$000</b> | \$000 |

*Consolidated***28 NOTES TO THE STATEMENT OF CASH FLOWS (Cont.)****(4) Controlled Entity Disposed**

During the financial year, the economic entity disposed of its lighting subsidiary.

Details of the disposal are as follows:

*Consideration*

|                     |              |   |
|---------------------|--------------|---|
| Cash                | <b>5,000</b> | — |
| Accounts receivable | <b>550</b>   | — |
|                     | <b>5,550</b> | — |

*Book Value of Net Assets Sold*

|                                       |                |   |
|---------------------------------------|----------------|---|
| Current assets                        |                |   |
| Cash                                  | <b>652</b>     | — |
| Receivables                           | <b>2,775</b>   | — |
| Inventories                           | <b>2,381</b>   | — |
| Other                                 | <b>36</b>      | — |
| Non-current assets                    |                |   |
| Property, plant and equipment         | <b>1,393</b>   | — |
| Goodwill on consolidation             | <b>840</b>     | — |
| Other                                 | <b>1,000</b>   | — |
| Current liabilities                   |                |   |
| Loans                                 | <b>(2,587)</b> | — |
| Trade creditors                       | <b>(1,700)</b> | — |
| Provisions                            | <b>(280)</b>   | — |
| Non-current liabilities               |                |   |
| Loans                                 | <b>(2,134)</b> | — |
| Provisions                            | <b>(646)</b>   | — |
| Net assets disposed                   | <b>1,730</b>   | — |
| Disposal costs                        | <b>*444</b>    | — |
| Profit on disposal                    | <b>3,376</b>   | — |
|                                       | <b>5,550</b>   | — |
| <i>Net proceeds received</i>          |                |   |
| Cash received                         | <b>5,000</b>   | — |
| Disposal costs paid*                  | <b>(155)</b>   | — |
| Net proceeds on disposal              | <b>4,845</b>   | — |
| Cash in controlled entity at disposal | <b>(652)</b>   | — |
| Net cash gain                         | <b>4,193</b>   | — |

|  | <b>1999</b>         | 1998   | <b>1999</b>                        | 1998  |
|--|---------------------|--------|------------------------------------|-------|
|  | <b>\$000</b>        | \$000  | <b>\$000</b>                       | \$000 |
|  | <i>Consolidated</i> |        | <i>Lemarne Corporation Limited</i> |       |
| <b>28 NOTES TO THE STATEMENT OF CASH FLOWS (Cont.)</b>   |                     |        |                                    |       |
| <b>(4) Controlled Entity Disposed (Cont.)</b>  |                     |        |                                    |       |
| During the financial year an overseas controlled entity disposed of a business, details of which are as follows: |                     |        |                                    |       |
| <i>Consideration</i>   |                     |        |                                    |       |
| Goodwill   | <b>141</b>          | –      |                                    |       |
| Plant and equipment  | <b>311</b>          | –      |                                    |       |
|  | <b>452</b>          | –      |                                    |       |
| <b>(5) Non-Cash Financing and Investment Activities</b>  |                     |        |                                    |       |
| Acquisition of plant and equipment by finance leases   | <b>275</b>          | 81     | –                                  | –     |
| <b>(6) Financing Facilities</b>  |                     |        |                                    |       |
| Lemarne Corporation Ltd and its controlled entities have access to the following lines of credit:                |                     |        |                                    |       |
| <i>Facilities available</i>  |                     |        |                                    |       |
| Bank overdraft   | <b>5,204</b>        | 4,756  | –                                  | –     |
| Bank loans and commercial bills  | <b>34,992</b>       | 28,777 | <b>6,000</b>                       | 6,000 |
| Lease finance  | <b>2,013</b>        | 2,365  | <b>30</b>                          | 65    |
| Standby letters of credit  | <b>2,016</b>        | 2,342  | –                                  | –     |
| Indemnity/Guarantees   | <b>4,597</b>        | 5,487  | –                                  | –     |
|  | <b>48,822</b>       | 43,727 | <b>6,030</b>                       | 6,065 |
| <i>Facilities used at balance date</i>   |                     |        |                                    |       |
| Bank overdrafts  | <b>2,057</b>        | 2,313  | –                                  | –     |
| Bank loans and commercial bills  | <b>26,978</b>       | 22,234 | <b>4,000</b>                       | 5,000 |
| Lease finance  | <b>861</b>          | 1,284  | <b>27</b>                          | 65    |
| Standby letters of credit  | <b>209</b>          | 223    | –                                  | –     |
| Indemnity/Guarantees   | <b>628</b>          | 1,474  | –                                  | –     |
|  | <b>30,733</b>       | 27,528 | <b>4,027</b>                       | 5,065 |
| <i>Facilities not used at balance date</i>   |                     |        |                                    |       |
| Bank overdrafts  | <b>3,147</b>        | 2,443  | –                                  | –     |
| Bank loans and commercial bills  | <b>8,014</b>        | 6,543  | <b>2,000</b>                       | 1,000 |
| Lease finance  | <b>1,152</b>        | 1,081  | <b>3</b>                           | –     |
| Standby letters of credit  | <b>1,807</b>        | 2,119  | –                                  | –     |
| Indemnity/Guarantees   | <b>3,969</b>        | 4,013  | –                                  | –     |
|  | <b>18,089</b>       | 16,199 | <b>2,003</b>                       | 1,000 |

Interest rates for all financing facilities are variable apart from a number of commercial bills where the interest rate is fixed for up to two years.

## 29 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 1 to the accounts.

### (b) Significant Terms and Conditions

#### Forward Foreign Exchange Contracts

It is the policy of the economic entity for all Australian based companies to take out forward exchange contracts on all overseas purchases of \$10,000 or more. Cover is also taken out on all major export sales.

A subsidiary of a controlled entity imports and exports in US dollars and can therefore take advantage of a natural hedge.

The following table details the forward foreign currency contracts outstanding as at the reporting date:

| Outstanding Contracts   | Average Exchange Rate |        | Principal Amount |           |
|-------------------------|-----------------------|--------|------------------|-----------|
|                         | 1999                  | 1998   | 1999             | 1998      |
| <i>Sell US Dollars</i>  |                       |        | US \$'000        | US \$'000 |
| Less than 3 months      | 0.6659                | —      | 887              | —         |
| 3 to 6 months           | 0.5765                | 0.6486 | 2,514            | 3,799     |
| Longer than 6 months    | —                     | —      | —                | —         |
|                         | 0.5998                | 0.6486 | 3,401            | 3,799     |
| <i>Buy US Dollars</i>   |                       |        | US \$'000        | US \$'000 |
| Less than 3 months      | 0.6295                | —      | 122              | —         |
| 3 to 6 months           | 0.6618                | —      | 87               | —         |
| Longer than 6 months    | —                     | —      | —                | —         |
|                         | 0.6429                | —      | 209              | —         |
| <i>Buy Japanese Yen</i> |                       |        | JPY '000         | JPY '000  |
| Less than 3 months      | —                     | 84.02  | —                | 55        |
| 3 to 6 months           | —                     | 83.24  | —                | 14        |
| Longer than 6 months    | —                     | —      | —                | —         |
|                         | —                     | 83.86  | —                | 69        |

### (c) Objectives of Derivative Financial Instruments

The economic entity enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on imports and exports to Asia and Europe.

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

**29 FINANCIAL INSTRUMENTS (Cont.)****(d) Interest Rate Risk**

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

| 1999  | Average       | Variable      | Fixed Interest Rate Maturity |                 |                      | Non-Interest  | Total         |
|---|---------------|---------------|------------------------------|-----------------|----------------------|---------------|---------------|
|   | Interest Rate | Interest Rate | Less than<br>1 year          | 1 to 5<br>years | More than<br>5 years | Bearing       |               |
|   | %             | \$000         | \$000                        | \$000           | \$000                | \$000         | \$000         |
| <i>Financial Assets</i>                     |               |               |                              |                 |                      |               |               |
| Cash  | 4.23          | 8,792         | 1,033                        | –               | –                    | 773           | <b>10,598</b> |
| Trade receivables                           |               | –             | –                            | –               | –                    | 23,378        | <b>23,378</b> |
|   | <b>4.23</b>   | <b>8,792</b>  | <b>1,033</b>                 | <b>–</b>        | <b>–</b>             | <b>24,151</b> | <b>33,976</b> |
| <i>Financial Liabilities</i>                |               |               |                              |                 |                      |               |               |
| Bank overdraft                              | 7.40          | 2,057         | –                            | –               | –                    | –             | <b>2,057</b>  |
| Trade payables                              |               | –             | –                            | –               | –                    | 18,744        | <b>18,744</b> |
| Bills of exchange                           | 5.35          | 11,428        | 6,004                        | 9,546           | –                    | –             | <b>26,978</b> |
| Other loans                                 |               | –             | –                            | –               | –                    | –             | <b>–</b>      |
| Finance lease and hire purchase liabilities | 9.29          | –             | 363                          | 411             | 88                   | –             | <b>862</b>    |
| Deferred income                             |               | –             | –                            | –               | –                    | 434           | <b>434</b>    |
| Dividend payable:                           |               |               |                              |                 |                      |               |               |
| – Ordinary                                  |               | –             | –                            | –               | –                    | 1,238         | <b>1,238</b>  |
| Income tax payable                          |               | –             | –                            | –               | –                    | 2,121         | <b>2,121</b>  |
| Employee entitlements                       |               | –             | –                            | –               | –                    | 4,503         | <b>4,503</b>  |
|   | <b>5.60</b>   | <b>13,485</b> | <b>6,367</b>                 | <b>9,957</b>    | <b>88</b>            | <b>27,040</b> | <b>56,937</b> |
| <b>1998</b>                                 |               |               |                              |                 |                      |               |               |
| <i>Financial Assets</i>                     | 4.46          | 5,415         | 4,260                        | –               | –                    | 26,635        | <b>36,310</b> |
| <i>Financial Liabilities</i>                | 7.95          | 6,989         | 19,694                       | 5,570           | 178                  | 31,344        | <b>63,775</b> |

**(e) Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the economic entity. The economic entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security such as directors' or parent company guarantees where appropriate, as a means of mitigating the risk of financial loss from defaults. In some instances trade indemnity insurance cover is taken out. The economic entity measures credit risk on a fair value basis.

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

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

## **29 FINANCIAL INSTRUMENTS (Cont.)**

### **(f) Net Fair Value**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the accounts.

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### **(g) Hedges of Anticipated Future Transactions**

The economic entity has entered into contracts to supply agricultural equipment to customers in the United States, and to supply telecommunication equipment to customers in the United Arab Emirates. The economic entity has entered into forward foreign exchange contracts (for terms not exceeding 12 months) to hedge the exchange rate risk arising from these anticipated future transactions.

As at the reporting date there were no unrealised gains under forward foreign exchange contracts relating to anticipated future transactions.

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## **30 COMPARATIVE FIGURES**

The comparative figures have in some cases been restated to conform with current year accounts presentation and provide a more meaningful comparison.

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## **31 EVENTS SUBSEQUENT TO BALANCE DATE**

Since the end of the financial year there have been no transactions or events of a material nature not covered elsewhere in this report that are likely to significantly affect the results of the economic entity in subsequent financial years.

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## **DIRECTORS' DECLARATION**

Directors' Declaration for the Year Ended 30 June 1999 – Lemarne Corporation Limited ACN 004 834 584 and Controlled Entities

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In the opinion of the Directors of Lemarne Corporation Limited:

- (a) The financial statements set out on pages 28 to 61 are drawn up so as to give a true and fair view of the performance of the Company and the consolidated Entity for the financial year ended 30 June 1999 and are in accordance with the Corporations Law;
- (b) At the date of this statement, 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) The accompanying financial statement of the Company and the Consolidated Entity comply with Accounting Standards and the Corporations Regulations.

Dated at Melbourne this 3rd day of September 1999

Signed in accordance with a resolution of the Directors

**E B NOXON**

Director

**S L MASON**

Director

# INDEPENDENT AUDITORS' REPORT

Independent Auditor's Report to the Members of Lemarne Corporation Limited ACN 004 834 584

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## Scope

We have audited the financial report of Lemarne Corporation Limited for the financial year ended 30 June 1999 as set out on pages 28 to 62. The financial report includes the consolidated financial statements 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. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

## Audit Opinion

In our opinion, the financial report of Lemarne Corporation Limited is in accordance with:

- (a) the Corporations Law, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 1999 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

DELOITTE TOUCHE TOHMATSU

## J DOUGLAS

Partner  
Chartered Accountants

Melbourne: this 3rd day of September 1999.

# STATUTORY DIRECTOR'S REPORT

Statutory Director's Report – Lemarne Corporation Limited ACN 004 834 584

The Directors have pleasure in presenting the Annual Report and Financial Statements of the Company and the economic entity for the year ended 30 June 1999, and the auditors' report thereon.

## 1 Directors

The Directors of Lemarne Corporation Limited in office during or since the end of the financial year are:

Edward Brian Noxon, BSc(Eng), FIEAust, FAIM

Appointed Managing Director in 1979 and elected Chairman in 1987  
Chairman of Lemvest Limited

Age 61.

Peter Geoffrey Davenport, MA, MIEE

Director since 1981

Director of Lemvest Limited

Consultant

Age 61.

John Campbell Larking, MB, ChB, MRCOG, FRACOG

Director since 1986

Director of Lemvest Limited

Age 60.

Graham Robert Capper, BSc(Hons), BEc

Director since 1996

Managing Director of Pacific Composites Pty Ltd

Age 49.

Stephen Leslie Mason, BComm, LLB, FCPA, FCIS

Appointed Director in July 1997

Group Company Secretary

Age 47.

In accordance with the Company's Constitution Mr G R Capper retires by rotation from the Board of Directors and being eligible, offers himself for re-election.

## 2 Directors' Meetings

The number of Directors' meetings attended by each of the Directors of the Company during the financial year are:

| Director         | Directors' Meetings |               |
|------------------|---------------------|---------------|
|                  | Meetings Attended   | Meetings Held |
| Mr E B Noxon     | 10                  | 10            |
| Mr P G Davenport | 10                  | 10            |
| Mr J C Larking   | 9                   | 10            |
| Mr G R Capper    | 8                   | 10            |
| Mr S L Mason     | 8                   | 10            |

## 3 Principal Activities

The principal activities of the economic entity during the financial year were:

- the manufacture and distribution of fibre reinforced plastic products
- the manufacture and international sale of electronics and electrical components and sub-assemblies

- the importation, manufacture and distribution of lamps and luminaires
- the design, manufacture and distribution of mechanical grape harvesters and ancillary equipment and distribution of wind machines
- the manufacture of perforated metal, metal cabinet manufacture and sheet metal work
- the manufacture of power systems, pair gain, modems and accessories for use in telecommunications
- provision of financial facilities to related entities

## 4 Review of Operations

A detailed review of operations is set out in pages 4 to 26.

## 5 Dividends

The amounts paid or declared by way of dividend by the Company since the end of the previous financial year are:

|  | 1999<br>\$000 | 1998<br>\$000 |
|--|---------------|---------------|
| (a) As proposed in last year's report, a final ordinary fully franked dividend of 6.5 cents per share (1997 – 6.5 cents) amounting to \$1,072,921 (1997 – \$1,072,921) in respect of the year ended 30 June 1998 was paid on 6 November 1998 | –             | (37)          |
| (b) An interim ordinary fully franked dividend of 6.5 cents per share (1998 – 6.5 cents) was paid on 26 March 1999   | 1,073         | 1,073         |
| (c) The final dividend declared by the Directors of the parent entity is an ordinary fully franked dividend of 7.5 cents per share (1998 – 6.5 cents)  | 1,238         | 1,073         |
| Total as per Profit and Loss Account   | 2,311         | 2,109         |
| (d) An unfranked preference dividend at a rate of 8 per cent per annum on the redeemable convertible preference shares was paid on:  |               |               |
| – 31 December 1997   | –             | 60            |
| – 29 January 1998  | –             | 9             |
| Total dividends provided for or paid   | 2,311         | 2,178         |

## 6 State of Affairs

In the opinion of the Directors, apart from the sale of the Spectra Lighting group, on 30 June 1999 there were no significant changes in the state of affairs of the economic entity that occurred during the financial year under review not otherwise disclosed in this Annual Report.

## 7 Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity, in future financial years.

## 8 Likely Developments

Certain likely developments in the operations of the economic entity and the expected results of those operations, in financial years subsequent to the financial year ended 30 June, 1999 are referred to in the Directors' review of the year set on pages 4 to 23 of this Annual Report.

In the opinion of the Directors it would prejudice the interests of the economic entity if further information which may be required by section 299 (3) of the Corporations Law to be included in this report was so included, and that information has not been so included.

## 9 Directors Interests and Benefits

### *Indemnification and Insurance of Officers*

Since the end of the previous financial year the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and officers, including executive officers of the Company and directors, executive officers and secretaries of its controlled entities. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

### *Interests*

The relevant interest of each Director in the share capital of the Company shown in the register of Directors' shareholdings as at the date of this report is:

|               | <i>No. of Shares</i> | <i>Nature of Interest</i>   |
|---------------|----------------------|---|
| E B Noxon     | 1,574,256            | Beneficial interest in shares registered in the name of Lindridge Pty Ltd               |
|               | 95,000               | Beneficial interest in shares registered in the name of EBN Super Fund                  |
|               | 677,000              | Shareholder   |
|               | 100,000              | Options   |
| J C Larking   |                      | Beneficial interest in shares registered in the name of the shareholder as Trustee for: |
|               | 854,979              | – Larking Trust   |
|               | 261,800              | – Larking Superannuation Fund   |
| P G Davenport | 271,000              | Shareholder   |
|               | 1,164,369            | Shareholder   |
| G R Capper    | 50,000               | Options   |
|               | 262,697              | Shareholder   |
|               | 20,000               | Partly Paid   |
| S L Mason     | 100,000              | Options   |
|               | 182,050              | Shareholder   |
|               | 100,000              | Options   |

## 10 Directors' and Senior Executives' Emoluments

The board is responsible for making recommendations on remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities; and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Executive directors and senior executives receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity (including operational results and cash flow). Shares issued are a result of the exercise of options previously granted. The ability to exercise the options is conditional on the Company achieving certain performance hurdles. Non-executive directors do not receive any performance related remuneration.

Details of the nature and amount of each major element of the emoluments of each director of the Company and each of the five named officers of the Company and the consolidated entity receiving the highest emolument are detailed on the following page.

**10 Directors' and Senior Executives' Emoluments (Cont.)**

|                                 | <i>Base<br/>emolument</i><br>\$ | <i>Bonuses</i><br>\$ | <i>Non-cash<br/>benefits</i><br>\$ | <i>Super<br/>contributions</i><br>\$ | <i>Shares/<br/>Options<br/>issued</i> <sup>1</sup><br>\$ | <i>Retirement<br/>benefits</i><br>\$ | <i>Total</i><br>\$ |
|---------------------------------|---------------------------------|----------------------|------------------------------------|--------------------------------------|--|--------------------------------------|--------------------|
| <b>Director</b>                 |                                 |                      |                                    |                                      |  |                                      |                    |
| Mr E B Noxon                    | 12,000                          | 42,700               | 171,900                            | 42,500                               | –  | –                                    | 269,100            |
| Mr G R Capper                   | 134,060                         | –                    | 27,270                             | 13,370                               | –  | –                                    | 174,700            |
| Mr S L Mason                    | 93,000                          | 15,380               | 16,850                             | 12,000                               | –  | –                                    | 137,230            |
| Mr P G Davenport                | 40,000                          | –                    | –                                  | 35,000                               | –  | –                                    | 75,000             |
| Mr J C Larking                  | 70,000                          | –                    | –                                  | 5,000                                | –  | –                                    | 75,000             |
| <b>Officer</b>                  |                                 |                      |                                    |                                      |  |                                      |                    |
| <i>The Company</i> <sup>2</sup> |                                 |                      |                                    |                                      |  |                                      |                    |
| Nil                             |                                 |                      |                                    |                                      |  |                                      |                    |
| <b>Consolidated</b>             |                                 |                      |                                    |                                      |  |                                      |                    |
| Mr M J Budworth                 | 166,667                         | 8,024                | 116,715 <sup>3</sup>               | 11,667                               | –  | –                                    | 303,073            |
| Mr M S Inglis                   | 150,000                         | 30,577               | 40,086                             | 41,796                               | –  | –                                    | 262,459            |
| Mr R W Kirkham                  | 156,500                         | 31,875               | 14,500                             | 10,500                               | –  | –                                    | 213,375            |
| Mr A G Badoux                   | 169,000                         | 10,500               | 9,200                              | 9,800                                | –  | –                                    | 198,500            |
| Mr L M Weiner                   | 120,000                         | 15,112               | 49,593                             | 8,400                                | –  | –                                    | 193,105            |

<sup>1</sup> The value of options granted during the year has been determined as nil on the basis that the last sale price for Lemarne shares at the date of this report was \$2.30. Accordingly, no amount has been included in total emoluments above. Details of options granted during the year are set out under 'Options' below. Details of options on issue at 30 June 1999 are as follows:

|               |   |
|---------------|---|
| E B Noxon     | 100,000 at \$3.56 in Lemarne Corporation Limited              |
| G R Capper    | 100,000 at \$3.56 in Lemarne Corporation Limited              |
| S L Mason     | 100,000 at \$3.56 in Lemarne Corporation Limited              |
| P G Davenport | 50,000 at \$3.56 in Lemarne Corporation Limited               |
| M J Budworth  | 125,000 options in Richardson Pacific Limited                 |
| M S Inglis    | 100,000 at \$3.96 and 75,000 at \$4.40 in Lemvest Limited     |
| R W Kirkham   | 75,000 at \$4.40 in Lemvest Limited (cancelled 4 August 1999) |
| A G Badoux    | 100,000 options in Lemtronics Sdn Bhd                         |
| L M Weiner    | 50,000 at \$4.40 in Lemvest Limited issued 3 July 1998        |

The value of the shares/options issued is determined as the difference between the market value on the day of exercising the option or balance date (whichever is earliest) and the exercise price due and payable by the director or officer.

<sup>2</sup> The executive officers of the Company are directors, Mr E B Noxon and Mr S L Mason who are shown above. There are no other executive officers.

<sup>3</sup> The non cash benefits for Mr M J Budworth primarily relate to additional expenses associated with working as an expatriate overseas.

## 11 Options

On 1 November 1996 the Company granted options over 350,000 unissued ordinary shares under the Key Executive Option Plan No.3 approved by Shareholders to four directors and officers of the Company at an exercise price of \$3.56. On 12 December 1996 the Company granted a further 164,000 options to twenty-six employees of Spectra Lighting Pty Ltd and 10,000 to an employee of the Company at an exercise price of \$3.96. 17,000 of these options have since been cancelled leaving 157,000 on issue at year end of which 147,000 lapsed on 30 August 1999. On 17 February 1999 the Company granted a further 10,000 options to an employee of the Company at an exercise price of \$3.06.

Under the plan 50 per cent of the options granted may be exercised after the second anniversary but before the fourth, while the outstanding options may be exercised after the fourth anniversary but before the fifth.

On 21 May 1998 the Company granted options over 20 unissued ordinary shares under the Subsidiary Executive Option Plan No.2 approved by Shareholders to four employees of U R Machinery Pty Ltd. In the event that U R Machinery Pty Ltd is not listed on the Australian Stock Exchange, the option holders are entitled to shares in Lemarne Corporation Ltd. As the conversion formula is based on the price of Lemarne shares at the date of conversion and on the increased value of the company and in particular the results of the company for the three year period 1999 – 2001, it is not yet possible to estimate the number of shares (if any) the option holders will be entitled to. The options may be exercised for a period of three months from 21 February 2002.

## 12 Audit Committee

The Company has an Audit Committee, of which all directors are members. All audit activities are monitored by the audit committee as detailed in the Corporate Governance Statement.

There were two Audit Committee meetings held during the year which all directors attended.

## 13 Environmental Regulation

The consolidated entity's operations are subject to environmental regulations under both Commonwealth and State legislation in relation to the manufacture of its products.

All operating entities have Risk Management Committees which monitor compliance with environmental regulations, in order to maintain a safe and healthy working environment.

Noise levels are also measured and monitored.

External Consultants are used on a regular basis and both internal and external audits undertaken to ensure compliance with both environmental and occupational health and safety legislation.

The Directors are not aware of any significant breaches or non-compliance with environmental regulations during the period covered by this report.

## 14 Rounding Off of Amounts

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

Dated at Melbourne this 3rd day of September 1999.

Signed for and on behalf of the Board in accordance with a resolution of Directors

**E B NOXON**

Director

**S L MASON**

Director

## STOCK EXCHANGE INFORMATION

Stock Exchange Information – Lemarne Corporation Limited ACN 004 834 584

### 1 Share Capital at 13 August, 1999

(a) (i) The ordinary share capital of the Company was held by the following number of shareholders:

| <i>Shares</i>    | <i>Shareholders</i> |
|------------------|---------------------|
| 1 – 1,000        | 175                 |
| 1,001 – 5,000    | 388                 |
| 5,001 – 10,000   | 85                  |
| 10,001 – 100,000 | 105                 |
| 100,001 and over | 29                  |
| <b>Total</b>     | <b>782</b>          |

(ii) Holding less than a marketable parcel 21

(b) Voting Rights (Article 15)

On show of hands – one vote per person (shareholder in person, or proxy or attorney or duly authorised representative).

On a poll – every member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each share they hold.

(c) Twenty Largest Shareholders

The percentage of total ordinary shares held on 13 August, 1999 by or on behalf of the twenty largest shareholders was 63.66 per cent.

(d) Substantial Shareholders

The number of shares held by the substantial shareholders as at 13 August 1999 were:

|   |           |
|---|-----------|
| N M Rothschild & Sons (Australia) Pty Ltd<br>ACN 008 458 339<br>Level 15, No 1 O'Connell Street<br>Sydney NSW | 1,812,834 |
| National Mutual Funds Management Limited<br>ACN 006 787 720<br>447 Collins Street, Melbourne Vic              | 1,583,873 |
| Lindridge Pty Ltd<br>11 Lang Street, Beaumaris Vic  | 1,574,256 |
| Davenport, Peter G<br>257 Edinburgh Road, Castlecrag NSW  | 1,164,369 |
| Larking, John <Larking Family Fund A/c><br>Apartment 1704, 469 St.Kilda Road<br>Melbourne Vic.                | 854,979   |

(e) Twenty Largest Shareholders as at 13 August, 1999.

|   | <i>Fully Paid</i> |
|---|-------------------|
| Lindridge Pty Ltd   | 1,574,256         |
| Davenport, Peter G  | 1,164,369         |
| The National Mutual Life Association of Australasia Ltd             | 965,062           |
| Perpetual Trustees Nominees Ltd                                     | 893,820           |
| Larking, John <Larking Family Fund A/c>                             | 854,979           |
| Noxon, Edward B   | 677,000           |
| Benefund Limited  | 440,000           |
| Davenport, Prudence D G   | 440,000           |
| Perpetual Trustee Company Limited <ANZ A/C>                         | 436,774           |
| Perpetual Trustees Victoria Limited <Small A/C>                     | 420,700           |
| National Nominees Limited   | 418,517           |
| Chase Manhattan Nominees Limited                                    | 350,167           |
| Larking, John   | 271,000           |
| Capper, Graham R  | 262,697           |
| Larking, John <Superannuation Fund A/c>                             | 261,800           |
| Invia Custodian Pty Limited <White A/C>                             | 260,873           |
| Victorian Superannuation Board                                      | 217,205           |
| Diversified United Investments Ltd                                  | 201,250           |
| Cardinal Financial Securities Limited<br><P/Client Growth Fund A/C> | 198,795           |
| Permanent Trustee Company Limited <NAT0017 A/C>                     | 198,111           |
|   | <b>10,507,375</b> |

### 2 Stock Exchange Listing

Quotation has been granted for all ordinary shares of the company on all member exchanges of the Australian Stock Exchange Ltd.

# CORPORATE DIRECTORY

Corporate Directory – Lemarne Corporation Limited ACN 004 834 584 and Controlled Entities

## LEMARNE CORPORATION LIMITED

### Board of Directors

E B Noxon, BSc(Eng), FIEAust, FAIM, (Chairman)  
P G Davenport, MA, MIEE  
J C Larking, MB, ChB, MRCOG, FRACOG  
G R Capper, BSc (Hons), BEc  
S L Mason, BComm, LLB, FCPA, FCIS

### Company Secretary

S L Mason, BComm, LLB, FCPA, FCIS

### Senior Management

Brian Noxon, Group Chief Executive  
Graham Capper, Managing Director,  
Pacific Composites Pty Ltd  
Desmond Burke, Managing Director,  
U R Machinery Pty Ltd  
Malcolm Inglis, Managing Director,  
Lemvest Limited  
Alain Badoux, Managing Director,  
Lemtronics Sdn Bhd  
Darryl Rainsbury, Managing Director,  
Richardson Pacific Ltd  
Larry Weiner, Managing Director,  
Com 10 Pty Ltd  
Dilip Khatri, Managing Director,  
Com 10 Communications Pty Ltd  
Stephen Mason, Group Company  
Secretary & Finance Director

### Auditors

Deloitte Touche Tohmatsu,  
Chartered Accountants

### Tax Agents

KPMG, Chartered Accountants

### Bankers

Australia & New Zealand Banking Group Ltd  
National Australia Bank Ltd  
Malayan Banking Berhad  
Algemene Bank Nederland NV

### Solicitors

Deacons Graham & James

### Share Register

Computershare Registry Services Pty Ltd  
Level 12, 565 Bourke Street  
MELBOURNE VIC 3000  
Telephone (03) 9611 5711  
Facsimile (03) 9611 5710

### Registered Office

1st Floor  
492 St Kilda Road  
MELBOURNE VIC 3004  
Telephone (03) 9820 2400  
Facsimile (03) 9820 2038  
Email: lemarn@ozemail.com.au

## LEMVEST LIMITED

1st Floor  
492 St Kilda Road  
MELBOURNE VIC 3004  
Telephone (03) 9820 2030  
Facsimile (03) 9820 2038  
Email: msinglis@lemvest.com.au

## PACIFIC COMPOSITES PTY LTD

### Melbourne

2 Brunson Street  
BAYSWATER VIC 3153  
Telephone (03) 9729 7711  
Facsimile (03) 9720 5229  
Email: pacomp@netlink.com.au  
Web site: www.pacomp.com.au

### Brisbane

15 Ada Street  
COOPERS PLAINS QLD 4108  
Telephone (07) 3274 1099  
Facsimile (07) 3274 2041

## FIBREFORCE COMPOSITES LIMITED

Fairoak Lane  
Whitehouse  
RUNCORN, CHESHIRE WA7 3DU  
UNITED KINGDOM  
Telephone (44) 1928 701 515  
Facsimile (44) 1928 713 572  
Email: sales@fibreforce.co.uk  
Web site: www.fibreforce.u-net.com

## PULTREX LIMITED

Brunel Road  
Clacton-on-Sea  
ESSEX CO15 4LT  
UNITED KINGDOM  
Telephone (44) 1255 429 811  
Facsimile (44) 1255 436 451

## SPECTRA LIGHTING PTY LTD

15 Industrial Avenue  
WACOL QLD 4076  
Telephone (07) 3335 3500  
Facsimile (07) 3335 3550

## U R MACHINERY PTY LTD

9 Byrne Court  
MILDURA VIC 3500  
Telephone (03) 5023 0056  
Facsimile (03) 5022 2153

## LEMTRONICS SDN BHD

Phase 11  
Bayan Lepas Free Industrial Zone  
11900 PENANG MALAYSIA  
Telephone (604) 643 6605  
Facsimile (604) 643 3485

## RICHARDSON PACIFIC LIMITED

330 Ballarat Road  
BRAYBROOK VIC 3019  
Telephone (03) 9313 2222  
Facsimile (03) 9312 4180  
Email: richpac@richpac.com.au  
Web site: www.richpac.com.au

## COM 10 PTY LTD

Units R4-R8  
Regents Park Estate  
391 Park Road  
REGENTS PARK NSW 2143  
Telephone (02) 9722 3310  
Facsimile (02) 9722 3344  
Email: mcox@com10.com.au  
Web site: www.com10.com.au

## BOARDFINISH LIMITED

11 Suncourt  
Beach Road,  
Southport  
LANCS. PR9 2BP  
UNITED KINGDOM  
Telephone (44) 1704 567 156  
Facsimile (44) 1704 562 913

**LEMARNE CORPORATION LIMITED**

ACN 004 834 584

LEVEL 1, 492 ST KILDA ROAD

MELBOURNE VICTORIA 3004

AUSTRALIA