

**LEMARNE**

**CORPORATION LIMITED**

**1999 ANNUAL REPORT**

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#### **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of Shareholders of Lemarne Corporation Limited (ACN 004 834 584) will be held at AIM, 181 Fitzroy Street, St Kilda, on 28 October 1999 at 12.00 noon. A formal notice of meeting and proxy form are enclosed herewith.

#### **DATE OF DIVIDEND PAYMENT**

The final fully franked dividend for the year ended 30 June 1999 will be paid on 29 October 1999.

#### **BOOKS CLOSING**

Transfers received by the Company's Share Registrar before 5.00 pm on Friday 22 October 1999 will be registered to determine those shareholders entitled to participate in the final dividend.

- Sales increased 13 per cent to a record \$156 million.
- Operating profit attributable to shareholders increased by 20 per cent to \$4.8 million.
- There was an abnormal profit after tax of \$1.0 million compared to a loss last year of \$1.5 million.
- Earnings per share increased from 24.3 cents to 29.1 cents.
- The dividend increased for the fifteenth consecutive year to 14 cents per share fully franked.
- Our 58.74 per cent owned subsidiary, Lemvest Limited, achieved record sales and profits.
- U R Machinery doubled output in the second half following completion of its expanded production facility and sales and profits were up on last year.
- Pacific Composites' UK subsidiary, Fibreforce Composites Limited, results improved in the second half after a very disappointing first half.
- Spectra International, which had paid \$1.7 million in dividends during the year, and its subsidiary, Spectra Lighting, was sold on 30 June 1999 for \$5.55 million which resulted in an abnormal profit after tax of \$2.6 million and reduced group borrowings by \$10 million.
- Lemarne's balance sheet remained strong with shareholders' funds increasing to \$43.0 million and gearing falling to 45 per cent.

While our Company is a corporate body, our management philosophy emphasises partnership: a partnership between customers, employees and shareholders.

Our directors are major shareholders, and many senior staff also have significant shareholdings. This investment in Lemarne generally represents their main equity investment.

Our long-term financial goal is to maximise growth in intrinsic business value per ordinary share. We do not measure the economic significance or performance of Lemarne by sales or by size but rather by per-share-performance.

Our preference is to reach this goal by owning the majority share in businesses that generate cash and earn above-average returns on capital. We focus on the development of a limited number of niche engineering businesses which are, or have the potential to be, market leaders and which give the Group stability through limited diversity.

We are sensitive to our fiduciary obligations to the Company's lenders, suppliers and its many long-term shareholders, some of whom have committed significant portions of their investment portfolio to our care. Consequently, we maintain a conservative approach to funding, rejecting opportunities rather than over-leveraging our balance sheet.

This policy may penalise results, but it is the only behaviour which leaves us comfortable, considering our obligations.

We endeavour to operate our businesses in a totally ethical way, complying with the best operating practices, meeting our social and environmental obligations, and being a good corporate citizen. Each year we put aside 1 per cent of our profit after tax for contributions to worthy causes.

We are candid in our reporting, telling shareholders business facts that we believe they would want to know. We are nevertheless careful in reporting certain activities such as technical breakthroughs or potential acquisitions, where public knowledge of such might disadvantage the entity to the detriment of our shareholders.

We believe our success is dependent upon attracting and retaining first-class people. To this end, we aim to provide challenging career opportunities in a stimulating environment and are committed to a widespread scheme of profit sharing. We are also committed to assisting those personnel who are primarily responsible for our successful growth to obtain equity in either their own subsidiary or in the holding company.

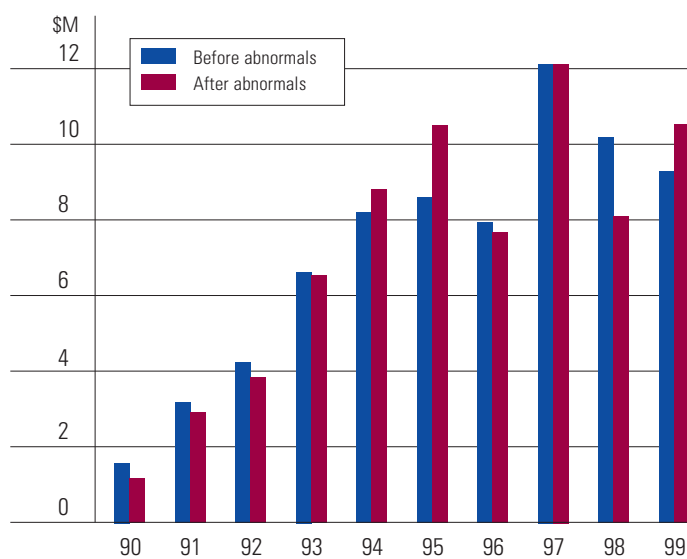
### KEY FINANCIALS

		1999	1998	CHANGE
Operating profit before abnormal items and tax	\$000s	<b>9,271</b>	10,198	-9%
Abnormal items before tax	\$000s	<b>1,253</b>	(2,098)	
Operating profit after income tax and minority interests	\$000s	<b>4,799</b>	4,006	+20%
Earnings per ordinary share	cents	<b>29.1</b>	24.3	+20%
Net tangible asset backing per ordinary share	cents	<b>173</b>	150	+15%
Dividend per ordinary share	cents	<b>14.0</b>	13.0	+8%
Ordinary shareholders' equity	\$000s	<b>32,942</b>	30,477	+8%
Operating profit after income tax/shareholders' funds	%	<b>14.6</b>	13.1	
Net borrowings/shareholders' equity	%	<b>45</b>	54	
Share price (at 30 June)	cents	<b>225</b>	260	-13%

These figures are based on the consolidated accounts.

### TEN YEAR OPERATING PROFIT

*BEFORE AND AFTER ABNORMALS*





*Our results for the year ended 30 June 1999 reflect very pleasing performances from our Australian operations partially offset by the effects of difficult trading conditions in Asia and a disappointing performance from our UK operations.*

*Sales were up 13 per cent to a record \$156 million while the operating profit after tax was up 24 per cent to \$6.4 million.*

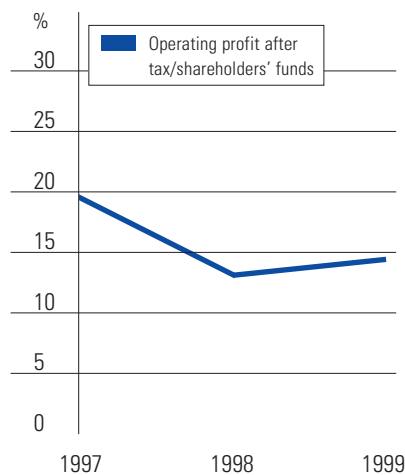
*There was an abnormal profit after tax of \$1.0 million which was the net gain from the sale of Spectra Lighting less losses associated with closing down poorly performing operations, the major one being Pacific Composites' UK based 'Techbuild Composites'.*

*Earnings per share increased from 24 cents to 29 cents and the net tangible asset backing per share increased to 173 cents.*

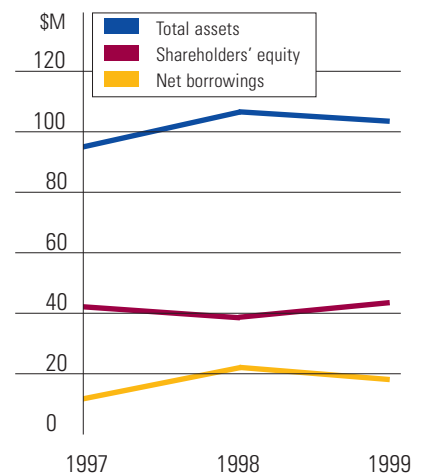
*The group's return on equity of 15 per cent is well above our cost of capital and demonstrates that the group is continuing to build shareholder value even if this is not reflected in recent share price movements.*

*The balance sheet remains strong with shareholders' funds increasing 8 per cent to \$43 million while the gearing fell from 54 per cent to 45 per cent.*

RETURN ON EQUITY



ASSETS, BORROWINGS, EQUITY



### DIVIDENDS

A fully franked interim dividend of 6.5 cents per share was paid on 26 March 1999 and Directors have declared a final fully franked dividend of 7.5 cents per share payable on 29 October 1999 to those shareholders on the register at 5 pm on 22 October 1999. This is our fifteenth consecutive annual dividend increase. The payout ratio is 48 per cent.

### OPERATIONS

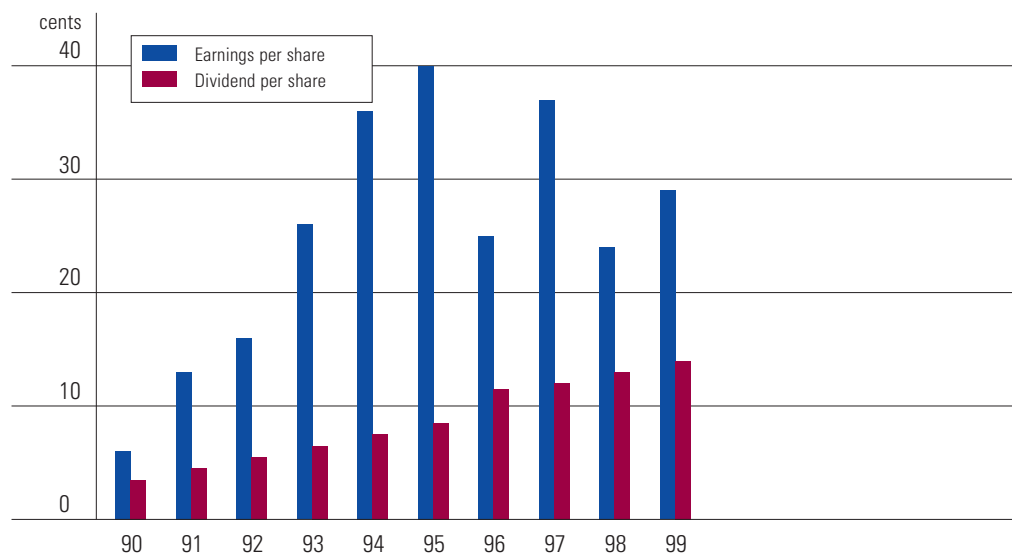
In general our Australian based operations performed very satisfactorily, while those in Asia were affected by reduced sales in the depressed economies of Asia.

For the second successive year what would have been an excellent group result was marred by very disappointing results emanating from the UK. This year, due to Pacific Composites' UK subsidiary Fibreforce Composites Limited which incurred operational losses of \$1.6 million and abnormal losses of \$1.3 million.

While most of these occurred in the first half the recovery in the second half was much slower than expected and decisive action has now been taken to strengthen the management of Fibreforce Composites and substantially lift its performance. Directors continue to believe that Fibreforce Composites has excellent potential at least comparable to that of its sister company in Australia.

TEN YEAR EARNINGS & DIVIDEND

PER ORDINARY SHARE



Pacific Composites' Australian operations finished on a strong note and there were encouraging signs for the current year. In particular the winning of a major contract to supply a 3.4 kilometre long wall for an aluminium smelter in Mozambique. This will be manufactured and supplied in the first half of the current year.

U R Machinery has had a very successful year although this isn't fully reflected in the results. Output from the newly expanded factory doubled in the second half but most of URM's harvester orders for the 1999 Californian vintage could not be invoiced at year's end due to the untimely death of

the principal of URM's Californian distributor. These sales will now be made in the first quarter of 1999/2000.

Spectra Lighting's sales were marginally up on last year and the profit slightly down.

Our 58.7 per cent owned subsidiary, Lemvest Limited, had a record year with sales up 28 per cent and profit after tax up 44 per cent. Its three operating subsidiaries all achieved improved results although Lemtronics' bottom line didn't lift as much as expected given the substantial increase in sales. Lemvest's final dividend was increased from 12 cents per share to 15 cents per share.

**INVESTOR RETURNS**

Lemarne's share price at 30 June 1999 was \$2.25 compared to \$2.60 a year earlier. This has reduced the short term compound return to shareholders to below the average for 'all ordinaries'. However over 10 years the annual compound return for Lemarne was 24.9 per cent while the 'all ordinaries' return was 11.4 per cent and the consumer price index was 2.6 per cent.

**STRATEGY**

Our long term aim is to grow the value of each ordinary share by owning businesses that generate cash and earn above average returns on capital.

We continue to develop a limited number of niche engineering businesses which operate relatively autonomously and which are, or have the potential to be, market leaders in Australia and in targeted overseas markets.

Historically this diversity of products and markets has given Lemarne strength, resilience and superior shareholder returns. For example in the ten years to June 1998, shareholders enjoyed a compound annual return of 27 per cent per annum. However in the past eighteen months unexpected set backs in our overseas operations has disrupted our strong growth and in addition investors have generally shunned diversified industrial groups and as a result our share price has fallen by some 60 per cent.

In light of this your Directors have closely reviewed our philosophy and objectives and also the prospects of the businesses in the group. As a result of this review, Directors decided to sell Spectra International Pty Ltd and its subsidiary, Spectra Lighting Pty Ltd. These were sold on 30 June 1999 for \$5.55 million (subject to certain adjustments which Lemarne does not believe will eventuate) for the Spectra International shares plus the repayment of Lemarne's loan of \$1.5 million to Spectra, that is a total of \$7.05 million. The sale effectively reduced Lemarne's net debt by approximately \$10 million and resulted in an abnormal profit after tax of \$2.61 million.

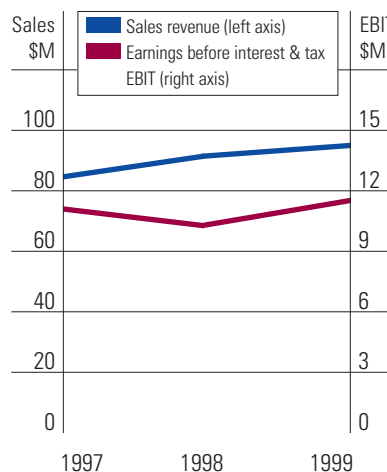
Your Directors believe the remainder of the businesses in the group will make returns which are comfortably in excess of the cost of equity. Most also have superior growth prospects.

The Board therefore believes its overall vision is sound and that by pursuing it vigorously, superior ongoing returns will again be achieved.

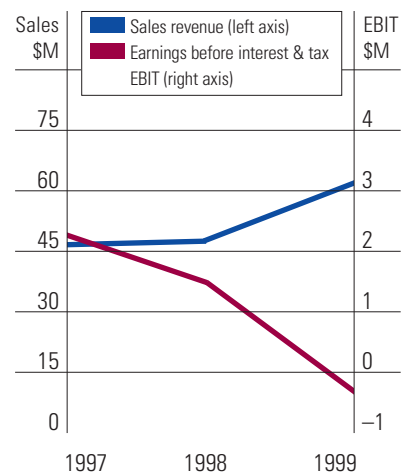
**MILLENNIUM ISSUE**

The Board of Directors initiated a Policy requiring all critical and significant activities, processes and supporting systems throughout the Lemarne Group of Companies be Year 2000 compliant by June 1999. Year 2000 compliance is as defined by the British Standards Institution.

AUSTRALIAN OPERATIONS



OFFSHORE OPERATIONS



The Directors expect the Year 2000 project will be completed on a timely basis. However there can be no assurance that the systems of other entities, on which the economic entity relies, will be converted in time or that any such failure to convert by another entity will not have an adverse effect on the economic entity's systems. In order to mitigate this risk, the economic entity is in the process of obtaining confirmations from its major suppliers that they have developed, or are developing, plans to address the Year 2000 problem. The directors will continue to monitor the progress of these plans.

**RISK MANAGEMENT**

A comprehensive risk management programme has been established. The programme requires each business to systematically identify sources of risk, to qualify the impact of those risks and adopt strategies to manage the Company's exposure in a cost effective manner. External consultants are used as appropriate.

**DONATIONS**

Lemarne maintained its commitment to distribute 1 per cent of after tax profits to worthy causes and this resulted in a range of community services, medical research, educational and arts organisations receiving support. No donations were made to political parties.

So far this decade Lemarne has made donations of over \$350,000.



**OUTLOOK**

The chief executives of our operating subsidiaries have commented on their operations and the outlook for each on the following pages.

Much improved results from Fibreforce Composites and Lemvest's subsidiary, Lemtronics together with solid growth in our Australian based companies should, barring unforeseen circumstances, lead to further growth in the year ahead.

**PEOPLE**

During the year our employee numbers declined by 30 per cent to 1,250 principally because of reductions at Lemtronics emanating from product mix changes and improved productivity.

We also farewelled 80 Spectra employees with the sale of that Company and we wish them success in their new environment.

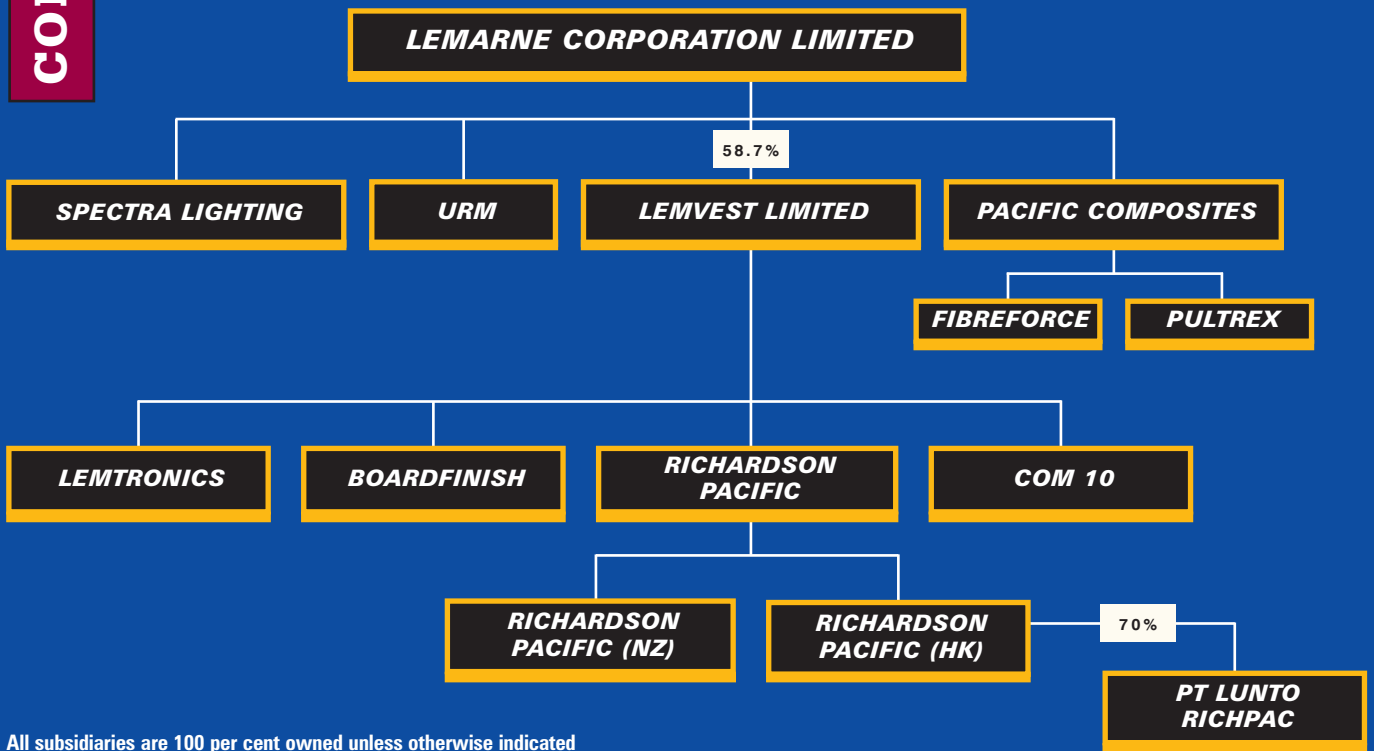
After the end of the financial year several important management changes were made and these are outlined in the individual company reports.

On behalf of shareholders and directors I again thank all employees for their ongoing commitment and contribution during a year marked by particular challenges in our overseas operations.

Brian Noxon  
Chairman

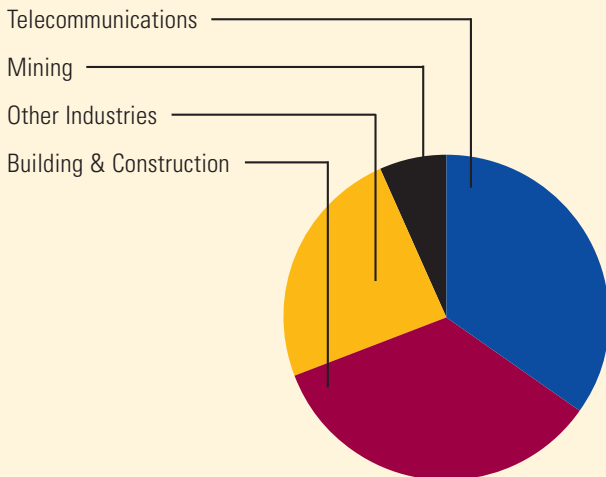
**COMPANY**

**STRUCTURE**

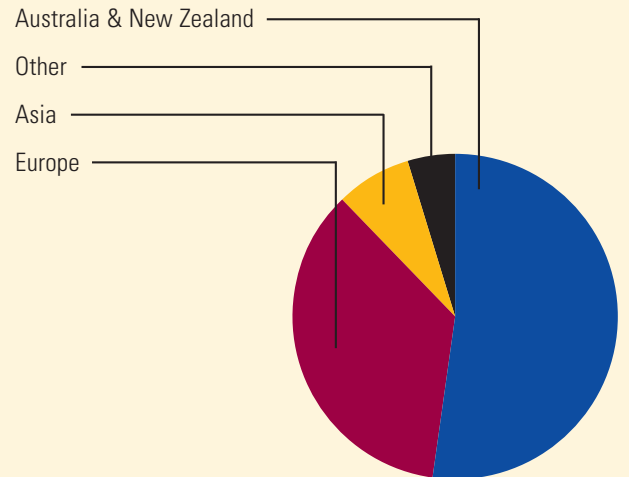


All subsidiaries are 100 per cent owned unless otherwise indicated

SALES BY END MARKETS, INDUSTRY



SALES BY END MARKETS, REGION



# FIVE YEAR

## GROUP FINANCIAL RECORD

	1999 (\$'000s)	1998 (\$'000s)	1997 (\$'000s)	1996 (\$'000s)	1995 (\$'000s)
<b>OPERATING RESULTS</b>					
Group sales	<b>156,369</b>	138,795	131,977	95,348	75,455
Profit before abnormals, tax and interest	<b>11,240</b>	11,944	13,892	9,066	9,455
Abnormal items before tax	<b>1,253</b>	(2,098)	–	(255)	1,886
Profit before tax	<b>10,524</b>	8,100	12,141	8,152	10,969
Income tax expense	<b>4,078</b>	2,892	4,105	2,211	3,006
Operating profit after tax	<b>6,446</b>	5,208	8,036	5,941	7,963
Minority interests	<b>1,647</b>	1,202	1,890	1,741	1,669
Operating profit attributable to shareholders	<b>4,799</b>	4,006	6,146	4,200	6,294
Extraordinary items after tax	–	–	–	–	–
Dividends – ordinary	<b>2,311</b>	2,109	2,018	1,849	1,163
Dividends – preference	–	69	120	150	255
Payout ratio	% <b>48</b>	53	33	44	19
<b>FINANCIAL POSITION</b>					
Issued and paid-up capital	<b>4,542<sup>6</sup></b>	3,302	3,802	3,801	4,237
Total shareholders' equity	<b>42,955</b>	39,889	42,472	35,572 <sup>3</sup>	34,015 <sup>3</sup>
Net borrowings	<b>19,299</b>	21,715	12,686	22,407 <sup>3</sup>	10,250 <sup>3</sup>
Current assets	<b>65,069<sup>7</sup></b>	66,128	61,126	55,562	42,349
Total assets	<b>103,318<sup>7</sup></b>	107,089	96,094	88,288	71,096
Current liabilities	<b>44,101<sup>7</sup></b>	51,481	33,189	35,369	24,208
Deferred liabilities	<b>16,262<sup>7</sup></b>	15,719	20,433	17,347 <sup>3</sup>	12,873 <sup>3</sup>
<b>PER ORDINARY 20 CENT SHARE</b>					
Earnings <sup>2</sup>	cents <b>29</b>	24	37	25	40
Net tangible asset backing	cents <b>173</b>	150	169	135	139
Dividend	cents <b>14.0</b>	13.0	12.0	9.5 <sup>1</sup>	8.5
<b>ANALYTIC INFORMATION</b>					
EBIT/total assets	% <b>12</b>	9	14	9	16
EBIT/trading capital employed	% <b>20</b>	16	20	14	23
Operating profit after tax/shareholders' funds	% <b>15</b>	13	20	16	26
Net borrowings/total shareholders' equity	% <b>45</b>	54	30	63 <sup>3</sup>	30
Total debt/total assets	% <b>29</b>	30	27	32 <sup>3</sup>	21
Current assets/current liabilities	times <b>1.5</b>	1.3 <sup>5</sup>	1.8	1.6	1.7
Net interest cover	times <b>5.3</b>	4.6	9.4	11.2 <sup>4</sup>	28.2 <sup>4</sup>
Shares on issue	millions <b>16.5</b>	16.5	16.5	16.5	13.7

<sup>1</sup>Excludes special 25th Anniversary dividend of 2.0 cents per share

<sup>2</sup>Adjusted for bonus issue of 1 for 10 in April 1996

<sup>3</sup>Redeemable preference share capital of \$6.6 million reclassified as borrowings for comparative purposes

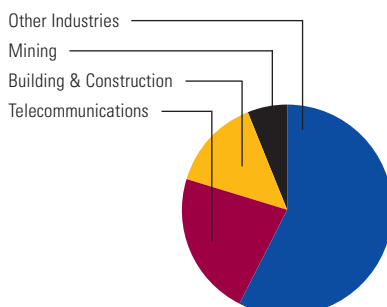
<sup>4</sup>Dividends on preference shares in subsidiary restated as interest expense for comparative purposes

<sup>5</sup>Partly due to redeemable preference shares being classified as a current liability (refer Note 15)

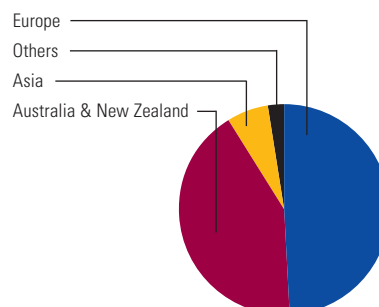
<sup>6</sup>After transferring \$1,240,000 from the share premium reserve on 1 July 1998

<sup>7</sup>After sale of Spectra International Pty Ltd on 30 June 1999

SALES BY INDUSTRY



SALES BY END MARKETS



**PERFORMANCE SUMMARY**

		1999	1998	1997	1996	1995
Total sales	\$000s	<b>26,238</b>	29,951	30,453	26,636	24,000
Overseas sales & exports	%	<b>58</b>	61	54	50	51
Profit before abnormals interest & tax	\$000s	<b>111</b>	2,043	5,165	4,180	3,687
Total assets	\$000s	<b>18,151</b>	21,039	18,460	17,436	15,768
Employees		<b>157</b>	179	167	161	172



PACIFIC COMPOSITES

**Graham Capper** B Sc (Hons), B Ec  
Managing Director

**Hank van Herk** B Eng (Mech), Director

**Trevor Dawson** B Sc, Director

**Eileen Foran** ACA  
Financial Controller and Company Secretary

**Harry Roevens**, Technical Manager

**Ken Smith** B Bus  
General Manager Pre Preg Division

**Vince Sakavicius**  
Manager – General Moulding

FIBREFORCE COMPOSITES

**David Clough**, Managing Director

**Enid McVittie** ACMA  
Financial Controller & Company Secretary

**Nick Seabourne**  
Divisional Manager – Clacton

PULTREX

**Colin Leek** H N Dip Mech Eng, Managing Director

Pacific Composites' group sales decreased in 1998/1999 by 12 per cent to \$26.2 million whilst the operating profit before interest, abnormals and tax decreased from \$2.0 million to \$0.11 million.

This very disappointing result was largely attributable to the heavy operational and abnormal losses which occurred at our UK subsidiary Fibreforce Composites, mainly in the first half of the year.

Overseas sales and exports were 58 per cent of the total group sales which was similar to last year.

**AUSTRALIAN OPERATIONS**

The Australian operations' sales decreased in 1998/1999 by 8 per cent to \$13 million largely due to lower prices for tension member products and the shortage of new orders in general moulding division following completion of a major order.

The pultrusion division had a good year with operating profit before interest and tax

increasing by a pleasing 6 per cent in 1998/1999 and this division remains the largest profit contributor within the Pacific Composites group.

The highlight of the year was winning a contract to supply 3.4 kilometres of a non-conducting ventilated wall for an aluminium smelter in Mozambique. This contract was negotiated during 1998/1999 for supply in 1999/2000.

Other highlights during the year were the supply of pultruded profiles for use in ten water treatment facilities in South Australia, the launch of new conduit rod products to assist in telecommunications cable laying, and the development of new products for the underground coal mining industry. Several other pultrusion products achieved good growth including conduit rods, other rods and bar, ladder rail and cable support systems.

Tension member sales improved in the second half

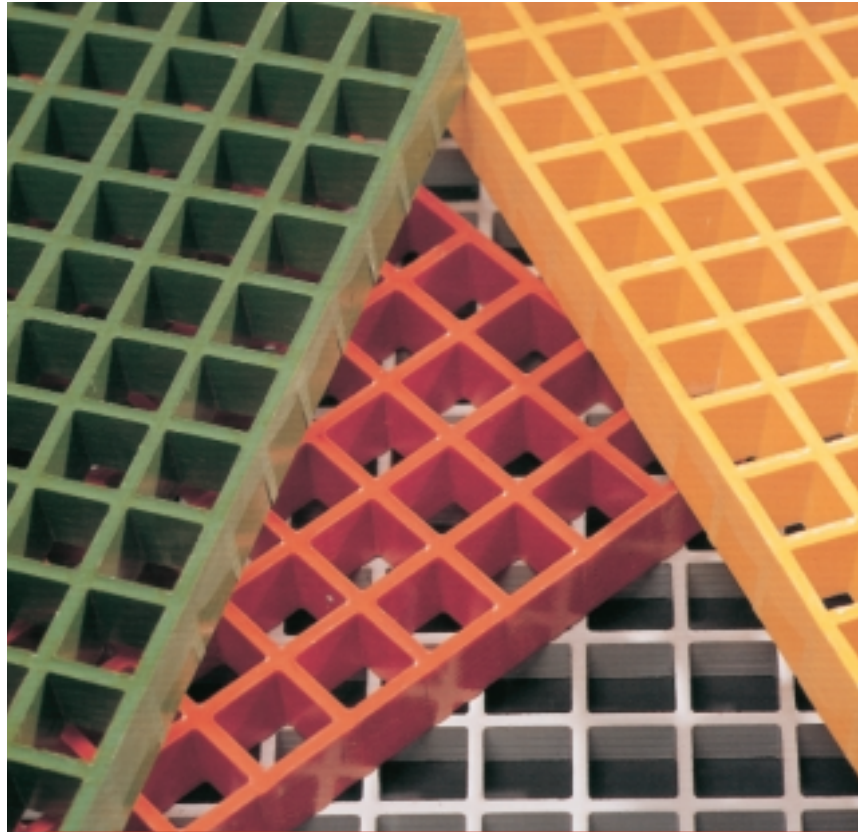
## MAIN PRODUCTS

Pultruded products including – ladder side rails, custom profiles, tension members, mine bolts, grating, cable support systems, handrail, flat sheet, angles, channels, beams, rods and bars. Resin transfer and compression moulded components. Pre-preg tapered and parallel tubing. Pultrusion, pulwinding and filament winding machinery.

although margins remained under pressure. Exports to Asia were well down again this year but one or two markets are now showing signs of growth.

Our Research and Development team has succeeded in developing a new process to manufacture small diameter tension members and prospects for export sales look good. We will continue to give high priority to Research and Development in the on going search for new products and processes for the future.

Our pre preg moulding division's sales were up 15 per cent and its profits were steady. General moulding's sales and profits were both down on last year, however it has now produced some technically advanced prototypes and is negotiating for substantially larger contracts. Unfortunately the timing of new start ups is often difficult to predict which of course makes profit forecasting hazardous.



*A selection from the range of Pacific Composites' products including standard and custom pultruded profiles and moulded grating.*

## UNITED KINGDOM OPERATIONS

### *Fibreforce Composites Ltd.*

Fibreforce's overall result for 1998/1999 was extremely disappointing. Sales decreased by 17 per cent to \$11.3 million and the operating loss before interest, abnormals and tax was \$1.3 million versus \$0.2 million the previous year.

In addition an abnormal loss of \$1.3 million was incurred in closing down Techbuild's operations and exiting the Techbuild site at Accrington and making good the leased premises.

The business was affected by the strong pound which reduced exports to Europe and put pressure on domestic margins. There were also numerous errors in judgement made during the year which contributed to the trading losses.

In addition Fibreforce experienced considerable technical and production problems especially with a number of the new more complex jobs commenced at Runcorn during the year.

A new management team is being put in place and strong initiatives have been taken to return Fibreforce to profitability including:

- greatly increased technical support from Australia and the temporary relocation of Pacific Composites' Director, Brian O'Connor to Fibreforce to supervise some of the technical work;
- the dropping of several new products which were causing major losses;

- the appointment of Keith Jordan as Chairman of Fibreforce Composites in June 1999. Keith has been a successful Managing Director and is a non-executive director and chairman of several smaller UK manufacturing companies. Keith will be able to provide closer guidance to Fibreforce than I have been able to from our Melbourne base;
- the appointment of Grant Pearce as the new Managing Director at Fibreforce in August 1999. Grant has had an excellent track record in General Management at Richardson Pacific Ltd over the past four years, and we are confident he will provide the leadership and expertise required to effect a rapid improvement in performance;
- the appointment of Lee Norton, as the new Marketing and Sales Manager, in April 1999. The search for an experienced Production Manager has also commenced.

The second half performance was an improvement on the first half and Directors are predicting a vastly improved result in 1999/2000. In spite of Fibreforce's poor performance, it is still the clear market leader in the UK and Directors remain convinced that it has excellent potential for expansion in both the UK and Europe.

#### *Pultrex*

Sales of \$2.0 million in 1998/1999 were 12 per cent down on last year and the profit was also slightly down.

During the year Pultrex manufactured and supplied pultrusion machines, filament winding machines and ancillary equipment to Italy, Turkey, USA and South Africa.

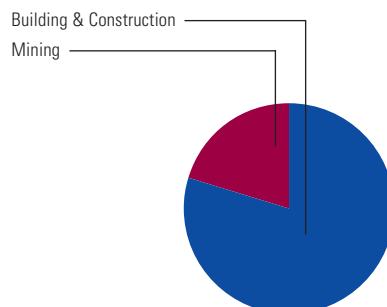
Pultrex has established an international reputation for designing and manufacturing high quality machines but this business will continue to be 'lumpy' until a steady base load is established. Some progress is being made in this regard as Pultrex moves to manufacturing more pultrusion tooling in-house.

#### **FUTURE PROSPECTS**

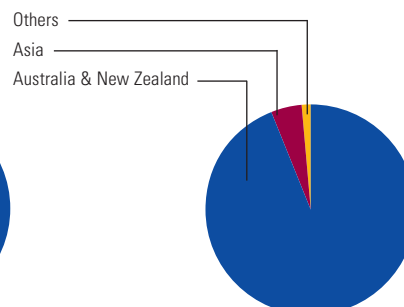
Pacific Composites' short term results will continue, as in the past, to be influenced by its success or failure in winning major contracts. Pacific Composites is the clear market leader in its field in Australia and the UK and it is the leading supplier of tension member for fibre optic cables in the Asia Pacific region. It supplies a diverse range of other products to a wide range of industries. Management believes this leadership together with the technical expertise of its team will enable it to rapidly respond to recent set backs and re-establish its sound growth in future.

Graham Capper

SALES BY INDUSTRY



SALES BY END MARKETS



**PERFORMANCE SUMMARY**

		1999	1998	1997	1996	1995
Total sales	\$000s	<b>15,217</b>	14,357	13,815	11,402	12,811
Overseas sales & exports	%	<b>5</b>	4	7	7	14
Profit before abnormals interest & tax	\$000s	<b>913</b>	1,087	1,219	(230)	797
Total assets	\$000s	<b>8,632</b>	8,232	7,842	7,568	7,900
Employees		<b>80</b>	80	79	71	73



SPECTRA LIGHTING

**Russell Gray** Dip Elec Eng  
Managing Director

**Hans Pihl**  
Operations Manager

**Robert Day**  
National Manager IML

**Margaret Olson** CPA,  
Accounting Manager

**Neil Wills** FIES (Aust)  
Technical Manager

**Geoffrey Sanders**  
Queensland Sales Mgr.

**MAIN PRODUCTS**

Tennis Court Lighting

Market leader Australia, exports to 11 countries

Mining lighting

Market leader Australia, small exports.

Outdoor Architectural Lighting

Small market share in Australia, small exports

Interior Architectural Lighting – Erco products

Limited market share in Australia, small exports

Lamps – Toshiba products

Small market share in Australia

In 1998/1999 Spectra's sales increased by 6 per cent to \$15.2 million and the operating profit before interest, abnormals and tax was \$0.9 million compared to \$1.1 million last year.

Sales of internal and external architectural lighting increased by 29 per cent and were particularly strong in New South Wales where the new lighting studio established in 1998 and the release of a new range of high performance luminaires also contributed to the sales increase.

The industrial / mining lighting business increased 3 per cent despite the marked decrease in the number of mining projects starting up in Australia. The good result was due to increased sales of new industrial products and success with overseas mining projects, which were ordered in Australia. The new product range released during the period has had a very good market acceptance.

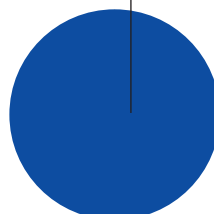
Sales of linear fluorescent luminaires declined by 13 per cent in line with the strategy of exiting this low margin business.

Export sales fell 40 per cent, due mainly to the poor economic situation in South East Asia and in parts of Eastern Europe. The bulk of the export business has traditionally come from these areas.

A new enterprise resource planning system was selected and installed during the period. This new ERP system will provide Spectra with improved internal efficiency, communication and flexibility. This, combined with the more efficient new office which was completed in August, and the new factory layout completed in the previous year, puts Spectra in a sound position for future growth.

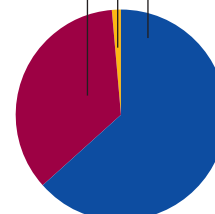
Russell Gray

SALES BY INDUSTRY  
Agriculture Equipment



SALES BY END MARKETS

Australia & New Zealand  
Europe  
Others



**PERFORMANCE SUMMARY**

		1999	1998*	1997	1996	1995
Total sales	\$000s	<b>7,317</b>	6,178	n/a	n/a	n/a
Overseas sales & exports	%	<b>37</b>	39	n/a	n/a	n/a
Profit before abnormals interest & tax	\$000s	<b>1,968</b>	1,610	n/a	n/a	n/a
Total assets	\$000s	<b>11,290</b>	7,832	n/a	n/a	n/a
Employees		<b>36</b>	33	n/a	n/a	n/a

\* Business acquired 12 December 1997.



U R MACHINERY  
**Desmond Burke**  
Managing Director

**Roger Williams**  
Finance Manager

**Sergio Gobbo**  
Factory Manager

**Owen Zibell**  
Purchasing Manager

In the year ending 30 June 1999 URM's sales were up 18 per cent to \$7.3 million and the operating profit before interest and tax increased to \$1.9 million.

Demand for URM's mechanical grape harvesters in both Australia and the West Coast of the USA was strong but once again sales were limited by URM's manufacturing capacity. The same constraint applied to other products and this limited sales of wind machines and general vineyard equipment to the Australian market.

Sales in Australia increased by 16 per cent while sales in the United States increased by 2 per cent. Sadly the principal of our US Agent, Grapekist, died in June 1999 after a short illness. Sales were affected as URM's stock of equipment located in California could not be invoiced and had to be treated as inter-company consignment inventory and did not appear in this year's sales.

Our agent's failing health also disrupted sales activity for the current season. The Board is assessing the most favourable sales/distribution arrangement for URM in the USA for the future.

URM's multi function grape harvester and new picking head performed impressively at Field Days in Australia and California and both have been enthusiastically welcomed by the market. URM's equipment now has capabilities and features which compare favourably with its competitors and URM's 'Vinestar' harvesters increased their market leadership during the year.

URM's new manufacturing facilities at Mildura enabled output to be doubled in the second half compared to last year. However most of this production was for the US market where it was held in stock at year's end. This stock will be sold between July and

**MAIN PRODUCTS**

Design, manufacture and marketing of mechanical grape harvesters, specialised vineyard equipment and distributors for selected vineyard equipment. Markets include Australia, New Zealand, California and Washington (USA) and Spain.



September as the new vintage gets underway. During 1998/1999 important advances were made particularly in manufacturing and product development, and Directors expect the benefits of these advances to accrue in the year ahead.

Management is now able to contemplate enlarging our product range and expanding geographically into New Zealand and South Africa.

Directors are confident that URM will achieve further solid growth in the coming year and prospects beyond that remain very encouraging.

Des Burke

*Harvest season 1998: Grape harvester shown at top collecting the crop for another record vintage. URM 'Vinestar' shown at bottom.*

(58.74% owned by Lemarne at 30 June 1999)

The year ended 30 June 1999 was an excellent one for the Company considering that many of its markets in Asia were severely depressed.

Sales increased by 22 per cent to \$107 million with sales to Europe up 50 per cent to \$42 million, sales in Australasia up 13 per cent to \$51.7 million, while sales in Asia were down 32 per cent to \$9.5 million.

Operating profit before tax was up 47 per cent to \$6.3 million while income tax increased from \$1.4 million to \$2.3 million. Operating profit after tax and outside equity interests was up 44 per cent to \$4.1 million.

All subsidiaries met or increased sales and profits over the previous year.

The return on equity was 18.5 per cent which was comfortably higher than the cost of capital and demonstrates the added value being generated for shareholders even though this may not have been reflected in share price movements.

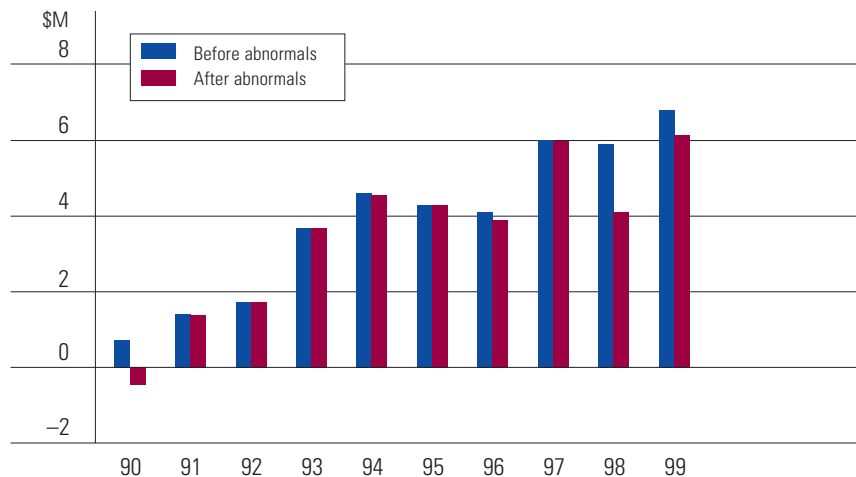
Earnings per share were up from 29 cents to 41 cents and the net tangible assets per share increased from \$2.10 to \$2.25.

In April 1999 the \$6.6 million of preference shares were redeemed and at year's end the net borrowings were \$17.8 million.

The balance sheet remains strong with shareholders' funds increasing by 6 per cent to \$22.5 million and the gearing level increased to 79 per cent.

**TEN YEAR OPERATING PROFIT**

*BEFORE AND AFTER ABNORMALS*



**DIVIDENDS**

An interim fully franked dividend of 12 cents per share was paid on 26 March 1999. Directors have declared a final fully franked dividend of 15 cents per share payable on 29 October 1999 to those shareholders registered at the close of books at 5 pm on 22 October 1999.

**INVESTOR RETURNS**

Lemvest's share price finished the year at \$4.31 compared to \$4.00 per share at the start. The compound annual return to shareholders over the last ten years is 31.5 per cent per annum compared to the 'all ordinaries' index of 11.4 per cent per annum and the consumer price index of 2.6 per cent per annum.

**OPERATIONS**

In general our Australian operations performed strongly but those in Asia struggled as the

economies in that part of the world remained depressed.

Richardson Pacific's sales were steady at \$29.5 million which was a very creditable result given that Asian sales were down by 37 per cent compared to last year. The operating profit before tax was steady at \$3.7 million with strong performances from the Australian perforating operations, Screenex and New Zealand offset by lower profits in Asia and Metal Systems.

Com 10's sales increased by 10.6 per cent to \$36.1 million with steady exports and a solid increase in domestic sales. Particularly creditable was the near doubling in exports to the Middle East, South Africa and Europe. The operating profit before tax and abnormal was up 26 per cent mainly due to a strong domestic

PERFORMANCE IN BRIEF

		1999	1998	CHANGE
Sales revenue	\$000s	<b>107,602</b>	88,354	+22%
Operating profit before abnormal items	\$000s	<b>6,971</b>	6,039	+25%
Abnormal items	\$000s	<b>(643)</b>	(1,750)	–
Income tax	\$000s	<b>2,335</b>	1,417	+65%
Operating profit after income tax and outside equity interests	\$000s	<b>4,117</b>	2,860	+44%
Earnings per share	cents	<b>41</b>	29	+41%
Net tangible asset backing per share	cents	<b>225</b>	210	+7%
Dividend per share	cents	<b>27</b>	24	+13%
Share price at 30 June	cents	<b>431</b>	400	+8%
Shareholders' equity (ordinary)	\$000s	<b>22,292</b>	20,973	+13%
Net borrowings/shareholders' funds	%	<b>79</b>	69	

performance by both the power and communications divisions. An abnormal cost of \$0.64 million was incurred closing the Revesby metalwork facility which reduced the profit before tax to \$2.27 million.

Lemtronics' sales increased by 75 per cent to \$42 million almost entirely due to increased exports to Europe. The increase reflected the sales and marketing push over the past two years and the more buoyant market being enjoyed by contract manufacturers internationally.

There have been substantial operational improvements made during the year but margins remain too low. The operating profit before tax of \$0.85 million compares to a loss of \$1.2 million last year.

Boardfinish Limited, which was the vehicle used to purchase and then re-sell A1 Security and Electrical Limited (in Receivership), did not trade during the year. It benefited from royalty income from the UK distributors of our security products, but this was offset by legal and management expenses.

**OUTLOOK**

The outlook for 1999/2000 looks good. We are budgeting for slightly lower sales of perforated metal in Australia to reflect the completion of many Olympic Games related projects, but we expect this to be more than offset by a recovery of sales in Asia. Com 10 is forecasting continued growth in both domestic and export markets, while forward estimates from Lemtronics' customers continue to grow.

**PEOPLE**

The number of employees dropped from 1,500 to 1,150 during the year. All of the reduction occurred at Lemtronics and was due to revised shift arrangements, plant layout changes, new equipment and improved productivity.

On behalf of shareholders and directors, we wish to thank all our employees for their continuing efforts and commitment during another challenging year.

Brian Noxon  
Chairman

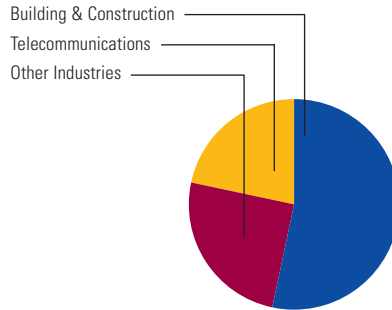
Malcolm Inglis  
Managing Director

TEN YEAR EARNINGS & DIVIDEND

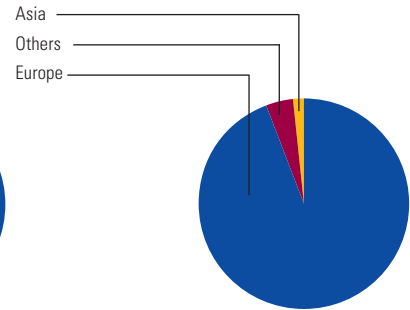
PER ORDINARY SHARE



SALES BY INDUSTRY



SALES BY END MARKETS



**PERFORMANCE SUMMARY**

		1999	1998	1997	1996	1995
Total sales	\$000s	<b>41,987</b>	23,978	27,296	25,156	26,600
Overseas sales & exports	%	<b>100</b>	100	100	100	100
Profit before abnormals interest & tax	\$000s	<b>1,342</b>	865	712	1,792	4,037
Total assets	\$000s	<b>17,936</b>	21,728	18,242	24,351	19,314
Employees		<b>798</b>	1,158	532	627	639



LEMTRONICS SDN BHD

**Alain Badoux** M Eng, MIE Aust, A Ir Br  
Managing Director

**F C Goh** FAIA  
Commercial Manager

**T K Yin**  
Manufacturing Manager

**Roland Victor** B Sc  
Development Manager

**R Jayaratnam** B Sc  
Quality Assurance Manager

The very substantial increase in sales to \$42 million reflects renewed confidence from Lemtronics' customers that the company can provide a high level of service in terms of technical know how, rapid response and quality. While the recession in Asia has helped in containing expenses (but not the cost of materials as these are mainly purchased in international currencies), it has created over capacity in the industry and put margins under a lot of pressure.

On the other hand, the fixed exchange rate between the US Dollar and the Ringgit introduced in September 1998 by the Malaysian Government, has reduced exchange risks. Other rules limiting capital movements do not affect Lemtronics capability of repatriating dividends.

In spite of the dramatic increase in sales, better control over inventory achieved a 60 per cent reduction in stock value,

which combined with reduced throughput time resulted in virtually no increase in working capital.

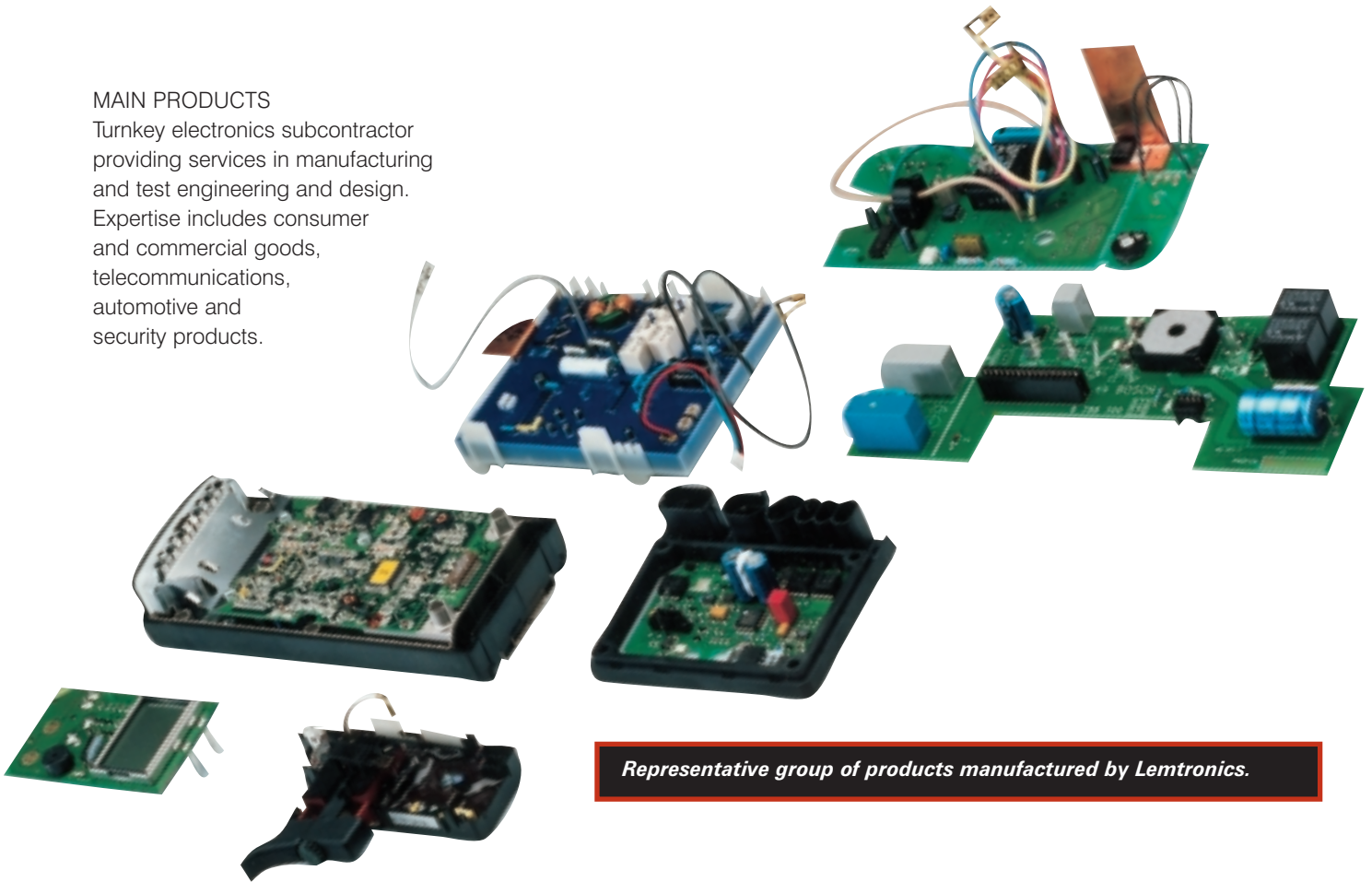
The peak employment figure reached in June 1998 was reduced by 30 per cent by returning to a mainly one shift operation, while the number of levels in the organisation was reduced from eight to five.

There were also significant improvements in materials procurement and logistics including the more effective use of MRP, a revised plant layout and improved product quality leading to reduced scrap and rework.

During the year new equipment for automatic soldering was installed, some existing equipment upgraded and plans formulated for further equipment investment in the coming year. The continuous change to more complex products that is characteristic of the electronics

## MAIN PRODUCTS

Turnkey electronics subcontractor providing services in manufacturing and test engineering and design. Expertise includes consumer and commercial goods, telecommunications, automotive and security products.



industry is well recognised by Lemtronics. This was exemplified during the year by the construction of a 'clean' room for the assembly of precision measuring equipment.

A parallel improvement of engineering and logistics skills, together with upgrades to equipment is high on Lemtronics' future planning priorities.

During the year a considerable investment was made in computer hardware and software to ensure Y2K compliance. The MPR system is now running satisfactorily. There is no doubt Lemtronics needs to improve its margins. It has already reduced expenses, as a percentage of sales, in most areas of activity.

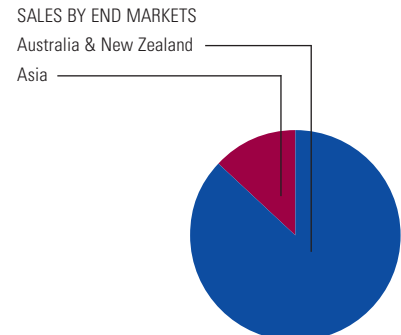
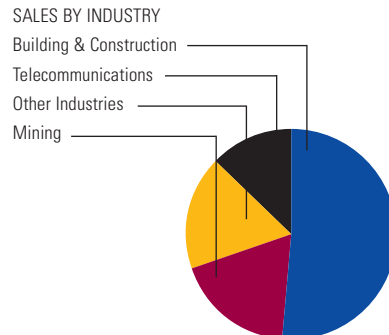
At the same time, the average product mix has moved to assemblies with a higher material content and hence lower value added and lower gross margin. An improvement of this situation is our biggest challenge for next year.

Most customers of the company are in Europe with only small sales made to the USA and Australia.

In marketing terms, our main priority remains the servicing of existing customers. At present, the final use of the assemblies produced by Lemtronics is still focussed on power tool controllers, measuring instruments, fixed domestic applications and to a lesser extent the automotive industry. The rapid increase in the use of electronics in the automotive and other industries presents Lemtronics with good opportunities which are being pursued.

The outlook for next year is good. It will essentially be a year of consolidation, with a small increase in sales and a focus on increasing profitability without putting any business sector at risk.

Alain Badoux



**PERFORMANCE SUMMARY**

		1999	1998	1997	1996	1995
Total sales	\$000s	<b>29,457</b>	29,501	28,214	28,015	25,597
Overseas sales & exports	%	<b>13</b>	19	18	27	26
Profit before abnormals interest & tax	\$000s	<b>3,687</b>	3,750	3,469	2,580	1,854
Total assets	\$000s	<b>27,424</b>	27,748	27,248	24,531	24,131
Employees		<b>183</b>	175	176	172	185



**RICHARDSON PACIFIC**

**Darryl Rainsbury** B Bus, MBA, FCPA, FCIS  
Managing Director

**Michael Yalden**  
Director & Consultant Metal Systems

**Martin Budworth**  
General Manager Asia & Associate Director

**Grant Pearce** MBA  
General Manager Metal Perforators

**Richard Cichy**  
Manufacturing Manager Metal Perforators

**Rex Jellicoe**  
General Manager New Zealand

In 1998/99 Richardson Pacific recorded virtually steady sales and profits at \$29.5 million and \$3.7 million respectively. The severe economic downturn in Asia and the relative strength of the Australian economy provided market conditions, which were in many instances, the reverse of those which existed in the prior year.

In Australia, our perforated metal operations had a good year, with profits up 27 per cent over the previous year. There were a number of infrastructure and Olympic related projects undertaken, which underpinned this performance. However, there has been a softening in the market over the last quarter with a noticeable decline in immediately available project work.

Commissioning of the new perforating line was recently completed without causing any disruption to the business during installation. Our major capital expenditure programme, which

was internally funded, is largely complete, and the business is now well equipped to service the needs of the Australian market as well as targeted export markets.

In Asia, Richardson Pacific (Asia) Ltd. and its 70 per cent owned Indonesian based joint venture, PT Lunto Richpac, experienced an extremely difficult year. Sales declined 33 per cent which resulted in a small operating loss being incurred in 1998/1999. The economic downturn experienced throughout Asia worsened during the year. Many countries increased import duties in an attempt to protect their domestic industries while Indonesia's economy was very constrained in the lead up to their recent democratic election.

Machine problems at both of our plants resulted in significant repair costs, which also impacted unfavourably on the bottom line. Our machinery is now fully operational and as the Asian economies revive, we are well

## MAIN PRODUCTS

Perforated metal, 'Safe T Perf' flooring,  
'Pic Perf' architectural panels,  
Polyurethane screening systems,  
Data communication cabinets

placed to recover from the decline in profitability experienced over the last twelve months.

Our Richpac Screening (Screenex) division continued to expand its market position with sales increasing by 25 per cent during the year. To ensure the service offered to customers is not compromised, additional machinery was commissioned and a new factory established in Perth, during the latter part of the year. As well as providing additional manufacturing capacity, the location of this operation provides for improved service to the Western Australian mining industry. Importantly, initial steps have also been taken towards increasing the export component of this division's sales with a Representative Office currently being established in Indonesia.

The Metal Systems division increased sales by 20 per cent in 1998/1999. However a small operating loss occurred due to a period of rapid growth in non-standard product which consumed considerable manufacturing and administrative resources. The benefit is that the division now has a long term arrangement to supply cabinets and other metal products to Com 10 Pty Ltd a related company, which will represent a solid base load in future. Greater emphasis will now be given to the general market with concentration on our standard product range.



*Perforated metal balustrading at Homebush Olympic Stadium, together with 'Pic Perf' image of a soccer player at Hindmarsh Stadium, Adelaide.*

Richardson Pacific (NZ) Ltd's sales declined by 4 per cent in 1998/1999, while the operating profit improved through slightly better margins and diligent cost control. This has been helped by the improved efficiency of new machinery purchased in the prior financial year.

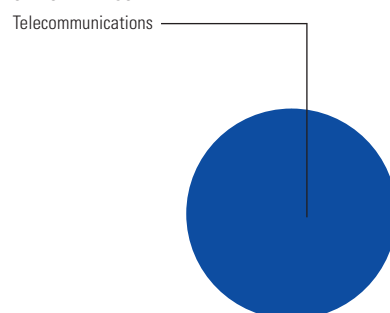
The economic climate in New Zealand has shown signs of improvement over the last quarter. This together with the introduction of a wider local product range should result in continued profit improvement for this business.

During the year a considerable investment was made in computer hardware and software, including a new mainframe computer, to improve functionality and ensure Y2K compliance.

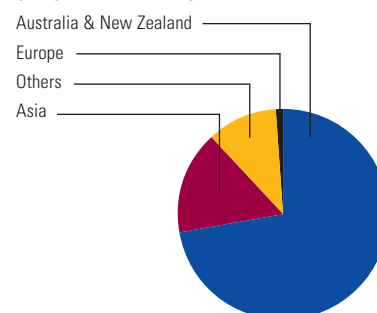
Overall Richardson Pacific is very well placed to capitalise on the recent investment in new machinery and processes, and the refurbishment of older equipment. This investment has been made in all business units, which will enable us to better service the needs of our customers in future. While economic recovery in Asia is expected to be slow, we remain well placed to benefit from any upturn and expand both our market share and profitability.

Darryl Rainsbury

SALES BY INDUSTRY



SALES BY END MARKETS



### PERFORMANCE SUMMARY

		1999	1998	1997	1996*	1995
Total sales	\$000s	<b>36,141</b>	32,680	32,896	4,811	n/a
Overseas sales & exports	%	<b>28</b>	32	39	34	n/a
Profit before abnormals interest & tax	\$000s	<b>3,385</b>	2,939	3,052	510	n/a
Total assets	\$000s	<b>20,215</b>	18,121	19,586	13,661	n/a
Employees		<b>176</b>	168	176	163	n/a

\* 10 weeks of operation, business acquired in April 1996.



#### COM 10

**Robert Kirkham** B Sc, Dip Civ Eng  
Managing Director

**Dilip Khatri** BE Hons, M Eng Sc, SMIREE, MIEEE (USA), MIE Aust  
Director & Commercial Manager

**Larry Weiner** BSEE  
Director & General Manager Power Group

**Peter Chalmers** B Ec, ASA  
Financial Controller

**Bob Teasel** B Tech  
Production Manager

#### CHINA OFFICE

**Liu Xiuzhong** BE  
Chief Representative & General Manager

Sales increased by 10 per cent to \$36.1 million while profit before abnormals and tax was up 76 per cent to \$2.9 million. The abnormal cost of closing the Revesby metalwork operation will in time be offset with variable cost savings. However the total cost of \$0.6 million was more than expected because of difficulties in sub-letting the premises. This resulted in the inclusion of a \$0.2 million provision against future rent in line with current accounting practice.

#### POWER SYSTEMS GROUP

In Australia the introduction of new telecommunications carriers has led to the expansion of domestic telecommunication networks and therefore opportunities for Com 10. In addition to our traditional close association with Telstra, Com 10 was successful in installing its equipment into many of the new carrier networks.

In Asia, as a result of the economic downturn, our

marketing efforts were refocussed onto a few selected markets. This led to the establishment of a subsidiary company in Malaysia as a central hub for our sales efforts in surrounding countries. The Malaysian subsidiary, in which Com 10 has a 70 per cent interest and local interest 30 per cent, has now been trading for some months and local staff appointed. We have been successful in securing a project with Telecom Malaysia which began in early 1999 and is presently still in progress. Other smaller projects have also been secured. The outlook for the Malaysian operation should be good as the local economy improves and the roll out of telecommunication networks continues.

China was again an important export market although sales declined by one-third. Difficulties securing foreign exchange funds and a general tightening of the economy contributed to this decline. We continue to support



*Large Telecom power system on display at Singapore Trade Exhibition, together with small power system suitable for a mobile telephone base station.*

#### MAIN PRODUCTS

Power systems and distribution modules, telephone accessories, pair gain and modems

and supply products to existing customers, while there was an increase in new enquiries from inland provinces. The extension of telecommunications networks into country areas provides additional opportunities for our equipment, especially for radio based mobile networks. We believe our new DC Power products are ideally suited to these networks. Our future plan for China includes an expansion in our local presence and the undertaking of more local content in our products.

Sales into the Middle East increased this year as we continue to build these markets by working closely with our local partners.

During the year we opened up new markets in South Africa. We expect this market to grow in the year ahead. We were also active in developing the market in South America although sales to date have been below expectation due to the economic difficulties facing Brazil. The company believes the South American market is a good fit and has potential in the future.

The company continues to fund Research and Development projects. A major new DC Power product was introduced in the last quarter of this year which immediately resulted in a strong order book going forward. Further DC Power products are under development to be released late next year.

#### COMMUNICATIONS GROUP

Sales of communications equipment were down on the previous year mainly because of a reduction in the sale of telephone accessories to Telstra, following their progressive changeover to international style connectors.

The future of this group lies with more technically advanced equipment associated with the transmission of data and the interconnect with the Internet, rather than simple telephone accessories as in the past.

Our first new 'smart' communication product called NTI\* Star is presently undergoing field trials with a major telecommunications company in Australia. If successful it should also have good export sales potential. This product is targeted for office and home use and avoids the carrier having to lay new cable when extra lines are needed. It allows for two telephones/fax machines or one phone and a high speed computer connection to operate independently over the one telephone line. Though complex in its engineering, the product is simple to install and use.

#### GENERAL

During the year a significant effort was dedicated to compliancy issues. The domestic authoritative body - Australia Communications Authority, decreed manufacturer self certification of all products connected to or part of the telecommunications network. This is generally known as A tick and C tick. All relevant products have been tested and approved to these standards. Com 10 has also taken the Year 2000 problem very seriously. Following investigation and testing we have now certified all our products as Y2K compliant. Company wide we believe we have addressed both our business and product issues and have in place the necessary actions and contingency plans.

New product releases in 2000 will strengthen Com 10's position as a leading DC Power system provider to Telecoms as well as a specialist provider in the communications market.

Directors and management believe the outlook for 1999/2000 and beyond is very encouraging.

Rob Kirkham

The Board of Directors is committed to principles of corporate governance consistent with the prudent management of shareholders funds. The Board supports the principles of self regulation.

The Board is responsible for the overall governance of the Company including the establishment of its goals and strategies and monitoring the achievements. Each subsidiary has its own Board and business plan and at least two main board directors sit on each subsidiary board.

Lemarne had a relatively small Board of five directors in keeping with its size. Details of directors are set out in the Directors' Report. John Larking and Peter Davenport are non executive directors. The Chairman is also the Chief Executive. The full Board deals with matters such as audit, remuneration, succession, risk management and community grants etc. and as such no Board committees exist, apart from an audit committee.

The Board reviews the performance of the external auditors on an annual basis and meets with them during the year as appropriate.

The Board recognises the need for change as the Company grows in size and complexity and is planning accordingly.

#### **DIRECTORS' DEALINGS IN COMPANY SHARES**

The Constitution permits directors to acquire shares in the Company and all directors have significant shareholdings.

Company policy prohibits directors and officers from dealing in Company shares whilst in possession of price sensitive information. Share dealings are only permitted in the one month following the release of the Company's half year and annual results to the Australian Stock Exchange or when the Board deems the market to be fully informed following an announcement.

#### **INDEPENDENT PROFESSIONAL ADVICE**

Each director has the right to seek independent professional advice at the economic entity's expense. However, prior approval of the Chairman is required, which is not unreasonably withheld.

#### **HALF YEAR AND ANNUAL REPORTING**

- The Board reviews the proforma half year and proforma preliminary final statement prior to lodgement of those documents with the Australian Stock Exchange, and any significant adjustments required as a result of the audit; and

- reviews the results and findings of the audit, the adequacy of accounting and financial controls, and monitors the implementation of any recommendations made; and
- reviews the draft financial statements and the audit report prior to the approval of the financial statements.

#### **INTERNAL CONTROL FRAMEWORK**

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described under five headings:

- Financial reporting – there is a comprehensive budgeting system with an annual budget approved by the directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The economic entity reports to shareholders half yearly. Procedures are also in place to ensure that price sensitive information is reported to the Australian Stock Exchange in accordance with Continuous Disclosure Requirements.

- Quality and integrity of personnel – the economic entity's policies are detailed in Employee Manuals. Confirmation of compliance with policies is obtained from all operating units. Formal appraisals are conducted at least annually for all employees.
- Operating unit controls – factory controls and procedures including health and safety policies in most instances are detailed in procedures manuals. Most operating units prepare Self Certification Questionnaires confirming compliance with these procedures and as appropriate, arrange external audits.
- Functional speciality reporting – the economic entity has identified a number of key areas which are subject to regular reporting to the Board such as Treasury Operations, Environmental, Legal, Tax and Insurance matters.
- Investment appraisal – the economic entity has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

#### **INTERNAL AUDIT**

The Board, in conjunction with the Audit Committee, is responsible for approving the program of internal audit visits to be conducted each financial year by the Finance Director and for the scope of the work to be performed at each location.

#### **AUSTRALIAN AND INTERNATIONAL QUALITY STANDARDS**

The economic entity strives to ensure that its products are of the highest standard. Towards this aim it has undertaken a program to achieve AS 3902/ISO 9002 accreditation for each of its business segments.

#### **ETHICAL STANDARDS**

Each subsidiary has an employee manual which sets out the ethical standards an employee of the economic entity is expected to comply with.

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the economic entity. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

#### **RISK MANAGEMENT**

A comprehensive risk management programme has been established. The programme requires each

business to systematically identify sources of risk, to qualify the impact of those risks and adopt strategies to manage the Company's exposure in a cost effective manner. External consultants are used as appropriate.

Stephen Mason has the formal responsibility for monitoring this function and preparing an audit report to the Board for each subsidiary at least annually.

This report covers matters such as environmental risks, occupational health and safety, trade practices compliance, equal opportunity, workplace practices, employment issues, treasury, insurance and operating risks.

#### **MILLENNIUM ISSUE**

The Board of Directors, in the previous financial year, authorised a Policy Statement requiring that all business critical and significant activities, processes and supporting systems throughout the whole Lemarne Group of Companies be Year 2000 compliant by June 1999 (Year 2000 compliance is as defined by the British Standards Institution). At 30 June 1999 such work was close to completion.

The Company has complied with ASX requests to keep the market fully informed of its exposure to Year 2000 problems,

and will be providing a further update on 30 September 1999.

To date the Group has spent approximately \$950,000 to achieve Y2K compliance. It would be incorrect to relate this entire amount to Year 2000 problems as we have taken the opportunity to pull forward IT expenditure by standardizing on Office 97 for personal computers and migrating to Microsoft NT on two critical IT systems.

The Directors do not believe there are any critical areas within the Group where Y2K problems would seriously disrupt our business. Nevertheless at 30 June 1999 two new systems and one upgraded system were behind schedule and not yet finalized.

The Directors expect the Year 2000 project to be completed by October 1999. However there can be no assurance that the systems of other entities, on which the economic entity relies will be converted on a timely basis or that any such failure to convert by another entity will not have an adverse effect on the economic entity's systems. In order to mitigate this risk, the economic entity has obtained confirmations from its major suppliers that they have developed,

or are developing, plans to address the Year 2000 problem.

#### **THE ROLE OF SHAREHOLDERS**

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the economic entity's state of affairs. Information is communicated to shareholders as follows:

- the annual report is distributed to all shareholders. The Board ensures that the annual report includes relevant information about the operations of the economic entity during the year, changes in the state of affairs of the economic entity and details of future developments, in addition to the other disclosures required by the Corporations Law;
- the half yearly report contains summarised financial information and a review of the operations of the economic entity during the period. Half year audited financial statements prepared in accordance with the requirements of Accounting Standards and the Corporations Law are lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange. The financial statements are sent to any shareholder who requests

them and a summary of the results and a brief review of trading for the half year is distributed to all shareholders; and

- proposed major changes in the economic entity which may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the economic entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

# 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

		1999 \$000	1998 \$000	1999 \$000	1998 \$000
	Note	Consolidated		Lemarne Corporation Limited	
<b>Current Assets</b>					
Cash		10,598	10,716	6,880	608
Receivables	8	23,377	25,594	550	1,510
Inventories	9	30,166	28,489	–	–
Other	10	928	1,329	15	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	–	–	5,900	6,000
Investments	22	–	–	10,305	12,473
Property, plant and equipment	11	29,730	30,394	149	102
Intangibles	12	4,343	5,714	–	–
Other	13	4,176	4,853	88	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	18,744	21,178	482	165
Borrowings	15	18,992	22,617	4,007	5,038
Provisions	16	6,007	7,226	1,917	1,112
Other	17	358	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	10,904	9,814	19	27
Provisions	16	5,281	5,809	152	179
Other	17	77	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	4,542	3,302	4,542	3,302
Reserves	19	620	1,901	–	1,240
Retained profits		27,780	25,274	12,768	9,756
Shareholders' equity attributable to members of the parent entity		32,942	30,477	17,310	14,298
Outside equity interests in controlled entities	20	10,013	9,412	–	–
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>42,955</b>	39,889	<b>17,310</b>	14,298
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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 \$000	1998 \$000	1999 \$000	1998 \$000
	<i>Note</i>	<i>Consolidated</i>	<i>Lemarne Corporation Limited</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts in the course of operations	<b>158,304</b>	134,573	<b>1,211</b>	1,102
Cash payments in the course of operations	<b>(146,452)</b>	(118,521)	<b>(1,001)</b>	(1,024)
Dividends received	–	–	<b>3,098</b>	1,398
Interest received	<b>300</b>	478	<b>20</b>	148
Interest paid	<b>(1,865)</b>	(1,737)	<b>(238)</b>	(184)
Interest paid to preference shareholders	<b>(605)</b>	(591)	–	(129)
Income tax paid	<b>(5,356)</b>	(4,109)	<b>8</b>	(45)
<b>Net Cash provided by (used in) operating activities</b>	<i>28(2)</i> <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	<i>28(4)</i> <b>5,296</b>	–	<b>4,845</b>	–
Proceeds from sale of property, plant and equipment	<i>2</i> <b>515</b>	574	<b>18</b>	–
Proceeds from sale of investments	–	1,000	–	1,000
Payments for controlled entities/business purchased	<i>28(3)</i> <b>(118)</b>	(9,326)	<b>(4)</b>	(6,529)
Payments for property, plant and equipment	<b>(7,526)</b>	(5,733)	<b>(101)</b>	(2)
Payments for deferred expenditure	<b>(526)</b>	(669)	–	–
Loans repaid by related entities	–	–	<b>1,600</b>	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	<b>13</b>	–	–	–
Share buy back from outside equity interests	<b>(240)</b>	–	–	–
Proceeds from borrowings	<b>11,769</b>	9,852	–	6,000
Repayment of borrowings	<b>(9,424)</b>	(6,820)	<b>(1,038)</b>	(2,521)
Dividends paid-members of parent entity	<i>6</i> <b>(2,146)</b>	(2,146)	<b>(2,146)</b>	(2,146)
Dividends paid-outside equity interests	<i>20</i> <b>(989)</b>	(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	<b>(160)</b>	(20)	–	–
Cash balances in controlled entity acquired (disposed)	<i>28(4)</i> <b>(652)</b>	1,187	–	–
<b>Cash at the beginning of the financial year</b>	<i>28(1)</i> <b>8,403</b>	11,407	<b>608</b>	1,390
<b>Cash at the end of the financial year</b>	<i>28(1)</i> <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		4,966	16	18
Amounts set aside to provisions for:				
Doubtful trade debts		236	–	–
Employee entitlements		1,283	(14)	26
Stock obsolescence		466	–	–
Warranties		251	–	–
Diminution in value of investments		–	–	–
Loss on sale of plant and equipment		127	–	–
Operating leases-rental expenses		2,627	72	45
Foreign exchange losses		81	–	–
Write down in value of:				
inventories		97	–	–
plant and equipment (scrapped)		115	–	–
Remuneration of auditors:				
Amounts received or due and receivable for audit services by:				
– Auditors of the parent entity		216	21	17
– Other auditors		46	–	–
Amounts received or due and receivable for other services by:				
– Auditors of the parent entity		43	7	2
– Other auditors		26	–	–
<b>(b) Bad Debts written off against provision</b>		261	–	–
<b>(c) Operating Profits</b>				
Profit on sale of plant and equipment		57	2	–
Foreign exchange gains		7	–	–
<b>4 ABNORMAL ITEMS</b>				
<b>Revenue</b>				
Profit on disposal of controlled entity Spectra International Pty Ltd	23	3,376	–	2,934
Provision for stock obsolescence		(170)	–	–
		3,206	–	2,934
Income tax effect		(592)	–	(653)
		2,614	–	2,281
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	–	–
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**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
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**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 \$000	Consolidated Profit on Disposal \$000	The Consolidated Entity's Interest %
<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 \$000</b>	1998 \$000	<b>1999 \$000</b> 1998 \$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 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*

<i>Current assets</i>		
Cash	<b>652</b>	–
Receivables	<b>2,775</b>	–
Inventories	<b>2,381</b>	–
Other	<b>36</b>	–
<i>Non-current assets</i>		
Property, plant and equipment	<b>1,393</b>	–
Goodwill on consolidation	<b>840</b>	–
Other	<b>1,000</b>	–
<i>Current liabilities</i>		
Loans	<b>(2,587)</b>	–
Trade creditors	<b>(1,700)</b>	–
Provisions	<b>(280)</b>	–
<i>Non-current liabilities</i>		
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:

<b>Outstanding Contracts</b>	<i>Average Exchange Rate</i>		<i>Principal Amount</i>	
	<b>1999</b>	1998	<b>1999</b>	1998
<i>Sell US Dollars</i>			<b>US \$'000</b>	US \$'000
Less than 3 months	<b>0.6659</b>	–	<b>887</b>	–
3 to 6 months	<b>0.5765</b>	0.6486	<b>2,514</b>	3,799
Longer than 6 months	–	–	–	–
	<b>0.5998</b>	0.6486	<b>3,401</b>	3,799
<i>Buy US Dollars</i>			<b>US \$'000</b>	US \$'000
Less than 3 months	<b>0.6295</b>	–	<b>122</b>	–
3 to 6 months	<b>0.6618</b>	–	<b>87</b>	–
Longer than 6 months	–	–	–	–
	<b>0.6429</b>	–	<b>209</b>	–
<i>Buy Japanese Yen</i>			<b>JPY '000</b>	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 1 year	1 to 5 years	More than 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 \$000	1998 \$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 emolument</i> \$	<i>Bonuses</i> \$	<i>Non-cash benefits</i> \$	<i>Super contributions</i> \$	<i>Shares/ Options issued</i> <sup>1</sup> \$	<i>Retirement benefits</i> \$	<i>Total</i> \$
<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 ACN 008 458 339 Level 15, No 1 O'Connell Street Sydney NSW	1,812,834
National Mutual Funds Management Limited ACN 006 787 720 447 Collins Street, Melbourne Vic	1,583,873
Lindridge Pty Ltd 11 Lang Street, Beaumaris Vic	1,574,256
Davenport, Peter G 257 Edinburgh Road, Castlecrag NSW	1,164,369
Larking, John <Larking Family Fund A/c> Apartment 1704, 469 St.Kilda Road 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 <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

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MELBOURNE VICTORIA 3004

AUSTRALIA