

Lemarne Corporation Limited



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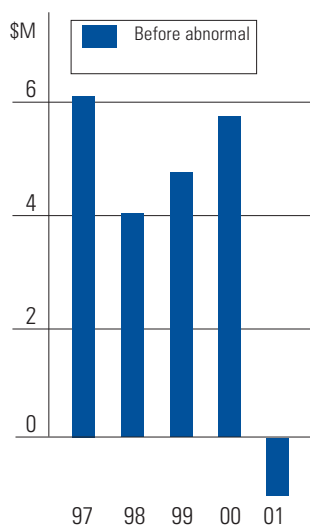
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Lemarne Corporation Limited (ABN 72 004 834 584) will be held at AIM, 181 Fitzroy Street, St Kilda, on 26 October 2001 at 12.00 noon.

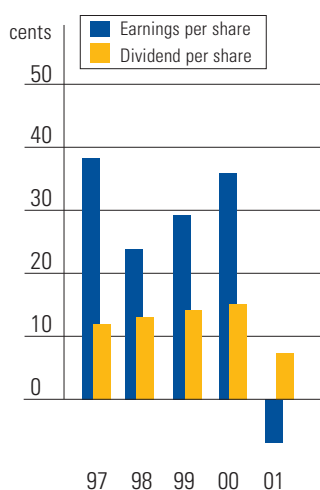
A formal notice of meeting and proxy form are enclosed herewith.

Summary of Key Events

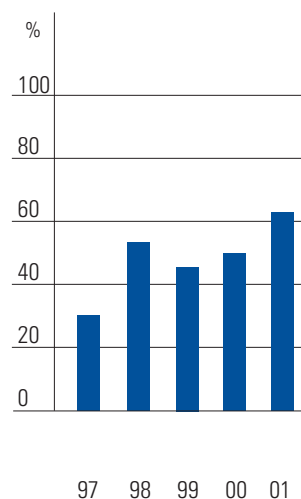
OPERATING PROFIT AFTER TAX



EARNINGS & DIVIDEND PER ORDINARY SHARE



GEARING % NET BORROWINGS/SHAREHOLDERS EQUITY



Group Financial Performance

		2001	2000	CHANGE
Operating profit/(loss) before tax	\$000s	(1,384)	12,043	- 111%
Operating profit/(loss) after income tax and minority interests	\$000s	(1,087)	5,882	- 118%
Earnings per ordinary share	cents	(6.6)	35.6	- 118%
Net tangible asset backing per ordinary share	cents	206	200	+ 3%
Dividend per ordinary share	cents	7.5	15.0	- 50%
Ordinary shareholders' equity	\$000s	36,725	37,067	- 1%
Operating profit after income tax/shareholders' funds	%	(3.0)	15.9	
Net borrowings/shareholders' equity	%	63	50	
Share price (at 30 June)	cents	108	260	- 58%
Number of employees	No.	1,240	1,313	- 6%

These figures are based on the consolidated accounts.

Philosophy and Objectives

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.

Chairman's Letter

Dear Shareholder,

Lemarne started the year with expectations of building on the improving results of the last 2 years and of reshaping the Group for the future. Regrettably these expectations haven't been fulfilled.

While some operations performed very well, a number performed well below expectations. In particular Lemvest's Com 10 Power division incurred a significant loss. This operation was affected by a drastic downturn in demand in Australia and by the need to reverse significant sales to China and Malaysia, made last year. This necessitated a major restructure and downsizing, which was both costly and disruptive.

The unexpected decline in the operational performance and financial results of some subsidiaries also undermined our plans, to reshape the Group during the year.

The Group has been under pressure especially in the latter part of the year. This has highlighted the need to re-assess all aspects of our Company and the way do we business. We have reviewed the Group's portfolio of assets and identified strategies designed to extract greater value for our shareholders in future. Our main strategic priorities are to simplify our structure and reduce costs, facilitate and promote operational excellence and encourage innovation and the growth of our core businesses. These and related matters will be discussed more fully at the Annual General Meeting.

As outlined in the Managing Director's report, a number of initiatives have been taken to restore our performance to more acceptable levels but much remains to be done. It will be a challenging task in a tougher, rapidly changing, economic environment.

Your Directors are cautiously optimistic that next year will see the first stage of recovery.

In August 2001 Steve Milner resigned as Managing Director. I resumed as Executive Chairman in July and CEO in August. Several management changes have been made during the second half and these are detailed in the report.

On behalf of the Board I thank all employees for their commitment and loyalty during a difficult and unrewarding year.

DIVIDENDS

A fully franked interim dividend of 7.5 cents per share was paid on 20 April 2001. Directors have decided that no final dividend should be paid.

Brian Noxon
Chairman



Managing Director's Review of Operations

The year was severely impacted by adverse issues and market conditions that evolved particularly in the second half.

Pacific Composites' Australian operations were significantly restrained by the absence of the major project work that characterised the previous year and a depressed patchy demand pattern in the domestic telecommunications market. Fibreforce, in the United Kingdom, exceeded the internal plans with a profit result that in part made up for the shortfall in Australia.

U.R. Machinery disappointed in the face of strong competition from overseas manufacturers intent on securing increased market share in Australia. This situation accelerated the need for U.R. Machinery to develop new product offerings and the costs of this design effort impacted the years' results.

The performance of the Lemvest Group was mixed.

A severe fall in demand in the second half for many of the products offerings of the Richardson Pacific Group companies significantly impacted its financial performance. The Communications and Data cabinets of the Metal Systems division was particularly hard hit, as spending on telecommunications infrastructure stalled.

The Richardson Pacific management implemented reductions in the overhead and fixed cost structure of the business that adversely impacted the profitability in the reporting period.

At Screenex Australia a very focussed and dedicated team successfully addressed the issues

of increasing competition and the ongoing rationalisation of the Australian mining industry.

Our electronic subcontract manufacturer, Lemtronics, struggled through the year and particularly in the second half, against the worldwide shortage and attendant price increases of certain electronic components. Also an easing of demand from some of its traditional European customers impacted adversely. The team at Lemtronics made progress on improving labour and supply efficiencies and enhancing the plant's capabilities.

The Com 10 Power business was impacted by a number of serious issues in the second half that resulted in a most unsatisfactory short term financial result. The need to reverse some significant sales to China and Malaysia from a prior period triggered a sequence of adverse profit, stock and manufacturing impacts resulting in a disruptive and costly restructuring of senior management, overheads and facilities. This situation was compounded by a major decline of sales to the domestic telecommunications market in the second half.

Com 10 Communications' management team successfully re-positioned the business to cope with diminishing opportunities for the traditional telephone accessory products by accelerating the move towards products servicing the growing Data and Broadband Communications markets.

Cover and main picture:
A range of profiles typically produced by the pultrusion process.
Inset: Pacific Composites cable ladder is used in a wide variety of industries where there is a corrosive environment.

OUTLOOK

The year ahead will display many improvements:

- Pacific Composites is planning solid improvements in the domestic market performance, combined with ongoing success in the United Kingdom.
- U.R. Machinery will face another difficult year, balancing the release of new product with the runout of old models and continuing high levels of competition.
- Expanded manufacturing facilities at Screenex resulting in a broadened product range and sound potential for growth.
- The uncertainty and dynamic nature of the telecommunications market will continue to extend the very focussed Com 10 Communications team with success resting on our ability to develop strategic relationships

between our customers and product partners.

- The new cost structure at Richardson Pacific will allow this group to perform soundly in market conditions that are predicted to remain subdued but steady.
- At Lemtronics newly installed equipment and operational efficiencies along with the easing of component shortages have positioned the company to face up to a difficult world marketplace.
- Com 10 Power will benefit from the restructuring and outsourcing that have been implemented and the new management team will focus on the disciplined marketing of products and securing benefits in material sourcing.

Steve Milner
Managing Director

Five Year Group Financial Record

		2001 (\$'000s)	2000 (\$'000s)	1999 (\$'000s)	1998 (\$'000s)	1997 (\$'000s)
OPERATING RESULTS						
Group sales		163,885	158,572	156,369	138,795	131,977
Profit before abnormals, tax and interest		*626	13,425	11,240	11,944	13,892
Abnormal items before tax		–	–	1,253	(2,098)	–
Profit/(loss) before tax		(1,384)	12,043	10,524	8,100	12,141
Income tax expense/(benefit)		(445)	4,267	4,078	2,892	4,105
Operating profit/(loss) after tax		(939)	7,776	6,446	5,208	8,036
Minority interests		148	1,894	1,647	1,202	1,890
Operating profit attributable to shareholders		(1,087)	5,882	4,799	4,006	6,146
Dividends – ordinary		1,240	2,482	2,311	2,109	2,018
Dividends – preference		–	–	–	69	120
Payout ratio (ordinary)	%	–	42	48	53	33
*Profit before non-recurring (formerly abnormal), tax and interest		4,063				
FINANCIAL POSITION						
Issued and paid-up capital		4,574	4,574	4,542 ²	3,302	3,802
Total shareholders' equity		46,743	48,007	42,955	39,889	42,472
Net borrowings		29,488	23,968	19,299	21,715	12,686
Current assets		84,754	72,338	65,069 ³	66,128	61,126
Total assets		119,829	108,629	103,318 ³	107,089	96,094
Current liabilities		62,687	45,682	44,101 ³	51,481	33,189
Deferred liabilities		10,399	14,940	16,262 ³	15,719	20,433
PER ORDINARY SHARE						
Earnings ⁴	cents	(6.6)	36	29	24	37
Net tangible asset backing	cents	206	200	173	150	169
Dividend	cents	7.5	15.0	14.0	13.0	12.0
ANALYTIC INFORMATION						
EBIT/total assets	%	0.5	12	12	9	14
EBIT/trading capital employed	%	1	17	17	16	20
Operating profit after tax/shareholders' funds	%	(3)	16	15	13	20
Net borrowings/total shareholders' equity	%	63	50	45	54	30
Total debt/total assets	%	31	28	29	30	27
Current assets/current liabilities	times	1.4	1.6	1.5	1.3 ¹	1.8
Net interest cover	times	–	8.7	5.3	4.6	9.4
Shares on issue	millions	16.5	16.5	16.5	16.5	16.5

¹ Partly due to redeemable preference shares being classified as a current liability (refer Note 15)

² After transferring \$1,240,000 from the share premium reserve on 1 July 1998

³ After sale of Spectra International Pty Ltd on 30 June 1999

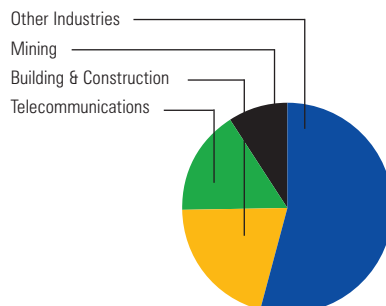
⁴ Adjusted for bonus issue of 1 for 10 in April 1996

Pacific Composites Performance Summary

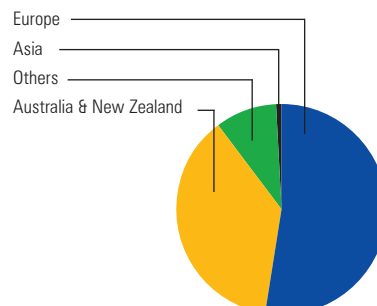
Main Products

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.

SALES BY INDUSTRY



SALES BY END MARKETS



		2001	2000	1999	1998	1997
Total sales	\$000s	29,923	29,015	26,238	29,951	30,453
Overseas sales & exports	%	63	59	58	61	54
Profit before abnormals interest & tax	\$000s	1,576	2,445	111	2,043	5,165
Total assets	\$000s	20,140	19,723	18,151	21,039	18,460
Employees		155	146	157	179	167

PACIFIC COMPOSITES

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

Trevor Dawson B Sc,
Director

Nick Nicolaou B Bus, Grad Dip. Mgt, CPA
Financial Controller

Hank van Herk B Eng (Mech)
Business Development Engineer

Harry Roevens
Technical Manager

Ken Smith B Bus
General Manager Pre Preg Division

Vince Sakavicius
Manager – General Moulding

FIBREFORCE COMPOSITES

Grant Pearce MBA
Managing Director

John McKay ACMA
Financial Controller & Company Secretary

Nick Seabourne
Divisional Manager – Clacton

PULTREX

Colin Leek HN Dip Mech Eng.
Managing Director

In 2000/2001 Pacific Composites' group sales increased by 3% to \$29.9 million, whilst the earnings before abnormals, interest and tax decreased by 36% to \$1.6 million.

Although the result at Fibreforce was an excellent return to profitability and above expectations, this was counterbalanced by depressed trading conditions for the Australian operations.

Overseas sales and exports now represent 63% of total group sales compared to 59% the previous year.

AUSTRALIAN OPERATIONS

The Australian operations had a disappointing year with sales decreasing by 21% to \$12.8 million. The major factors were the absence of a \$2.2 million overseas contract which occurred in the previous year and the generally depressed market in Australia.

In particular, the reduced spending in the telecommunications field, adversely affected sales across four of our major product groups.

However, it was pleasing to see several pultrusion product groups achieving good sales increases including grating, mining products and fence posts.

Highlights of the year for the pultrusion division were the supply of grating for the Broome jetty and the supply of cable ladder to Orica's Chlor Alkali plant at Botany.

Although tension member sales were lower than the previous year, it was encouraging that demand strengthened significantly in the last three months of the year due to the export of cables and this is forecast to grow throughout 2001/2002.

Prepreg Moulding Division had similar sales to the previous year and forecast growth is expected to be only modest.

The small General Moulding Division had a disappointing year.

Our Research and Development team has been very active in developing new innovative products and processes, which will be critical to our on-going success.

UNITED KINGDOM OPERATIONS Fibreforce Composites Ltd.

Fibreforce's continued strong turnaround has resulted in sales increasing by 20% over the previous year and a return to profitability, well ahead of budget. This sales increase was largely in the area of repeatable business

and was achieved with 97% of the previous year's total overheads.

The new management team has been able to retain and expand our key customer base and capitalise on significant growth opportunities.

Continued manufacturing rationalisation and improvements at the Runcorn plant has seen a 20% increase in volume output without any significant additional capital investment. This coupled with a clearer focus on our core products and an improved, technically competent sales force, has resulted in a strong order book for the future. Opportunities in the aerospace and construction sectors have been identified and developed in the last year, which will lead to significant opportunities this coming year.

The Clacton division doubled its net profit from last year, providing a very good return on investment and providing a challenging benchmark for the Runcorn site. Emphasis on specialised products and custom design profiles has enabled both operations and our French representative, to target more opportunities on the Continent.

The European composites industry is buoyant and growth figures between 15-25% are not uncommon. Emphasis on long term supply partnerships and focussed R & D expenditure are key to our continued strong growth.

Fibreforce's sales forecasts for the year ahead are ambitious but will be underpinned by an increase in sales personnel and by targeted R & D.

Pultrex

Pultrex sales increased by 60% while profitability, although still unacceptably low, was more than double the previous year.

Pultrex's increased expenditure and focus on sales and marketing outside the U.K. is starting to show

the longer term benefits we had originally planned.

Orders this year consisted of seven machines being completed, including a large package for a Korean company. This involved a pultrusion machine, pull winder, pipe winder and extractor.

Pultrex has recently entered a partnership with a local engineering specialist which is resulting in a gradual wind down of our in-house fabrication and assembly operations. This will enable Pultrex to focus on more innovative design technology and an aggressive worldwide marketing strategy. The order book for Pultrex for the first half is satisfactory.

FUTURE PROSPECTS

Pacific Composites is expected to show good profit growth due to a combination of Fibreforce continuing its successful growth and further strengthening its position in Europe, and improved trading conditions for the Australian operations. However, results will continue, as in the past, to be influenced by whether Pacific Composites can win major new contracts.

Pacific Composites is the clear market leader in its field in both Australia and the United Kingdom and supplies a diverse range of products to numerous industries. It will continue its drive to lower its dependency on one-off projects.

New pultrusion products launched in the past year are expected to have a healthy growth rate and to reduce the dependency on the older established products.

In summary, management remains confident that Pacific Composites is in a sound position to achieve good profit growth in the future.

Graham Capper



Above: Cable ladder produced by Pacific Composites used in the Orica Chlor-alkali plant at Laverton.

Left: Conduit rods and dispensers, produced by Pacific Composites and used extensively in the telecommunication industry.

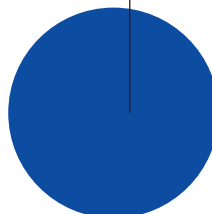


U R Machinery Performance Summary

Main Products

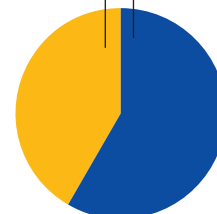
Design, manufacture and marketing of mechanical grape harvesters, specialised vineyard equipment and distributors for selected vineyard equipment. Markets include Australia, New Zealand, California and Washington (USA), South Africa, Chile and Spain.

SALES BY INDUSTRY
Agriculture Equipment



SALES BY END MARKETS

Australia & New Zealand
Others



		2001	2000	1999	1998 ¹	1997
Total sales	\$000s	10,230	12,085	7,317	6,178	n/a
Overseas sales & exports	%	67	52	37	39	n/a
Profit before abnormals interest & tax	\$000s	1,022²	3,167	1,775	1,513	n/a
Total assets	\$000s	13,708	11,390	11,290	7,832	n/a
Employees		41	41	36	33	n/a

¹ Business acquired 12 December 1997.

² Before provision for hedging losses of \$1,325,000

U R MACHINERY

Desmond Burke

Managing Director

Peter Thomson ^{B Bus}

General Manager

Sheldon Oppenlander ^{B Bus}

Finance Manager

Sergio Gobbo

Factory Manager

Owen Zibell

Purchasing Manager

Carson Smith

USA Manager

Below: URM Tractor tow harvester operating in South Africa.



In 2000/2001 U.R. Machinery's sales were down on the previous year by 15% to \$10.2 million while EBIT before abnormals and hedging loss provision was 68% down to \$1,022,000.

The disappointing result was due to increased competition, seasonal conditions and additional costs associated with an accelerated program to design new models. In addition forward exchange losses of \$1,325,000 have been provided for as a result of hedging contracts taken out.

Overseas sales of machines and spare parts represented 67% of sales for the year.

AUSTRALIAN OPERATIONS

URM's Australian operations had a difficult year caused by increased competition from overseas manufacturers introducing competitive new models and intent on buying market share. Discounting, term payments and inflated trade-in programs were used extensively by competitors in their efforts to gain market penetration.

URM has responded to this challenge by increasing its design and marketing efforts. A new range of smaller, lighter weight tractor tow and self propelled grape harvesters are being designed and will be introduced to the market over the next two seasons.

Additional product lines are being designed that will compliment the new harvester range offering multi function modules for vineyard spraying and pruning.

UNITED STATES OPERATIONS

Our U.S. subsidiary, U.R. Machinery Inc., is continuing to expand its operations.

During the year it moved to larger premises in California's Central Valley. The new warehouse and service facilities and sales and technical support will provide customers with a higher level of service into the future.

Additional dealerships were secured during the year, providing increased coverage of the Central Valley sales territory. Plans are in hand to establish dealerships in California's Coastal vineyard regions in the next twelve months and future dealership appointments are planned for the Central and Eastern states markets.

SOUTH AFRICAN OPERATIONS

Market conditions in South Africa were difficult during the year.

While successful promotional efforts from our distributor has identified future sales potential, this is expected to remain a relatively small market in the short to medium term.

CHILE, SOUTH AMERICA OPERATIONS

During the year a new dealership was appointed in Santiago and introductory trials of URM grape harvesting equipment were successful. However some redesign of URM machines to suit the Chilean market will be necessary.

Chile in the medium to longer term will offer moderate potential for our products.

Des Burke

Lemvest Limited Review (61.9% owned by Lemarne)

The Group's sales increased by 5% to \$124 million with overseas sales and exports up by 24% to \$79 million.

Nevertheless, the operating profit after tax attributable to shareholders fell from \$4.7 million last year to \$0.4 million this year as a result of a loss in Com 10 and profit reductions in both Richardson Pacific and Lemtronics.

Ordinary shareholders' funds increased 5% to \$26 million, while the gearing remained unchanged at 105%. The NTA per share increased to \$2.63 while the EPS decreased to 4 cents per share.

This unsatisfactory performance has put the Company under pressure and caused us to fully review our portfolio of assets and identify strategies to restore value for our shareholders.

Our Managing Director's report, following, outlines actions that have already been taken to restore profitability. There is still much to be done and the rapidly changing economic climate and chaotic state of the telecommunications industry, may well delay the benefits flowing through to the bottom line.

DIVIDENDS

An interim fully franked dividend of 15 cents per share was paid on 6 April 2001. Directors have decided that no final dividend should be paid.

Brian Noxon, Chairman

OPERATIONS REVIEW

Results across the Company varied widely. In Richardson Pacific, a fall in demand in the second half for many products impacted its financial performance. As

spending on telecommunications infrastructure stalled, the Metal Systems division was hard hit.

Screenex Australia increased its sales, profit, and market share as a supplier to the Australian mining industry.

Lemtronics struggled throughout the year coping with the worldwide shortage of electronic components and cost escalation. Easing of demand from some European customers reduced profits in the second half.

The Com 10 Power business was impacted by a series of setbacks in the second half that resulted in a serious loss. The need to reverse some sales to China and Malaysia triggered a sequence of adverse profit, stock and manufacturing adjustments and considerable business restructuring.

The Com 10 Communications arm traded well and is now geared toward the high-growth data and broadband communications markets.

OUTLOOK

The steps taken to respond to these market conditions and

performance issues should benefit the company in 2002. They include:

- Expanded manufacturing facilities at Screenex and a broadening of its product range.
- New cost structures at Richardson Pacific allowing it to perform soundly in market conditions that are predicted to remain subdued but steady.
- New equipment and operational efficiencies at Lemtronics.
- Restructuring and outsourcing at Com 10, and a new approach to materials sourcing and market development.

MANAGEMENT CHANGES

In March 2001 Larry Weiner, Managing Director of Com 10 Power, submitted his resignation. In August 2001 Dilip Khatri was appointed Managing Director of Com 10 Pty. Ltd. and thus became responsible for the Power division as well as the Communications division.

Steve Milner, Managing Director

Performance in brief

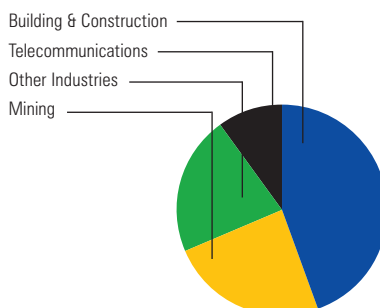
		2001	2000	CHANGE
Sales revenue	\$000s	123,732	117,472	+ 5%
Operating profit/(loss)	\$000s	(351)	6,651	- 105%
Income tax benefit/(expense)	\$000s	710	1,988	
Operating profit after income tax and outside equity interests	\$000s	386	4,701	- 92%
Earnings per share	cents	4	47	- 91%
Net tangible asset backing per share	cents	263	250	+ 5%
Dividend per share	cents	15	30	- 50%
Share price at 30 June	cents	145	420	- 65%
Shareholders' equity (ordinary)	\$000s	26,046	24,816	+ 5%
Net borrowings/shareholders' funds	%	105	105	
Number of employees	No.	1,040	1,122	- 7%

Richardson Pacific Review

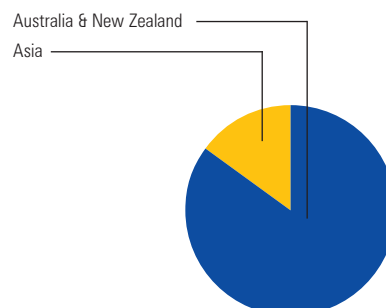
Main Products

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

SALES BY INDUSTRY



SALES BY END MARKETS



		2001	2000	1999	1998	1997
Total sales	\$000s	32,575	32,187	30,709	29,501	28,214
Overseas sales & exports	%	15	12	13	19	18
Profit before abnormals interest & tax	\$000s	3,316	3,640	3,687	3,750	3,469
Total assets	\$000s	26,207	26,101	27,424	27,748	27,248
Employees		174	174	183	175	176

RICHARDSON PACIFIC

Martin Budworth

Managing Director

Stephen Hall

B. Eng Mech, Grad Dip BA

General Manager Metal Systems

Rex Jellicoe

General Manager New Zealand

David Wong

F CPA

Finance Manager

Richard Cichy

Manufacturing Manager Metal

Perforators

SCREENEX AUSTRALIA

Darryl Rainsbury

B Bus, MBA, F CPA, FCIS

Managing Director

Jeff Zubovich

Dip Eng. (Mech)

Product Manager

Left to right: High quality screens

for use in the mining industry.

Perforated metals continue to

enjoy popularity with architects.

The growth in Internet services

has created demand for

substantial housing units for

equipment such as servers.

In 2000 Richardson Pacific's operations, excluding Screenex, recorded a 5% decline in sales to \$25 million.

Profits were down by 34% as a result of market contraction and one-off restructuring costs. In Australia steps were taken to restructure operations so that the division can better deal with market conditions.

In our 70% owned Asian subsidiary, both sales and profits improved and new contracts have been secured.

In the New Zealand business both profit and sales declined and preparations were made to refocus the product range to improve earnings in the New Zealand market.

The downturn in the telecommunications industry impacted the metals systems business but a restructuring will improve its position in the year ahead.

The outlook for 2002 is for steady sales with significantly improved profitability resulting from the restructuring program this year.

Martin Budworth

SCREENEX

Screenex had a strong year with a 25% lift in sales and maintenance of operating margins.

During the year we consolidated operations and commissioned new equipment that will ensure we can meet the competitive challenges presented by industry rationalisation and globalisation. These improvements also enable the business to access new markets in Australia and abroad.

The outlook is generally favourable for the division as a result of the modern and efficient manufacturing base we have created.

Darryl Rainsbury

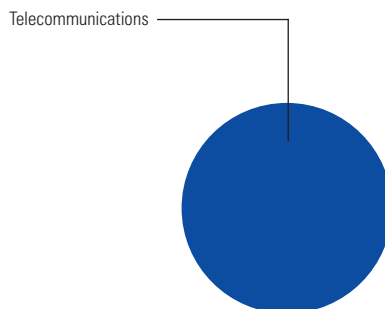


COM 10 Review

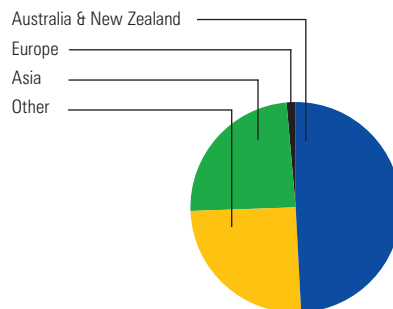
Main Products

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

SALES BY INDUSTRY



SALES BY END MARKETS



		2001	2000	1999	1998	1997
Total sales	\$000s	39,259	39,824	36,141	32,680	32,896
Overseas sales & exports	%	56	35	28	32	39
Profit before abnormals interest & tax	\$000s	(3,806)	1,931	3,385	2,939	3,052
Total assets	\$000s	27,674	25,539	20,215	18,121	19,586
Employees		152	178	176	168	176

COM 10 POWER

Larry Weiner BSEE

Managing Director (Resigned March 2001)

Geoff Easterbrook B Ec, CPA

Financial Controller

Peter Hodgson

International - General Manager

Michael Hellyer

Australasian Sales Manager

COM 10 COMMUNICATIONS

Dilip Khatri* BE Hons, M Eng Sc, CP Eng,

SMIREE, MIEEE (USA), MIE Aust

Managing Director

Benjamin George BE, MBA

Sales Manager

*Appointed Managing Director of Com 10 responsible for both Power and Communications in August 2001.

COM 10 POWER

Sales decreased by 12.5% to \$29.9 million and the division recorded a loss of \$5 million.

Domestic sales were lower and a number of key international sales were reversed, leaving the company with weakened margins and extra inventory and interest expense.

Increased competition, changes in the exchange rate and global price rises for components also impacted results.

The division responded to these pressures by restructuring. Staff numbers were reduced and the manufacturing facility reorganised. Crucially, we made new appointments to boost sales results in Australia, China and South America and appointed a new Financial Controller to ensure tighter financial management.

COM 10 COMMUNICATIONS

Sales increased by 63% to \$9.4 million and EBIT by 100% to \$1.2 million. This reflects the change we have made from being a traditional phone accessory developer to a company providing new generation devices that assist customers to access the Internet, take advantages of rapid changes to networked services, and optimise the performance of conventional phone lines.

We have positioned the business to play a role in the high-growth ADSL market where phone users can make and receive calls and access the Internet on the same line simultaneously. Our new range splits the data and voice signals.

We are budgeting for steady sales but the market remains quite volatile.

Dilip Khatri

Left to right:
New Com 10 rectifiers and controllers are enjoying strong export success. In accessories, the focus is now on high-speed internet access.

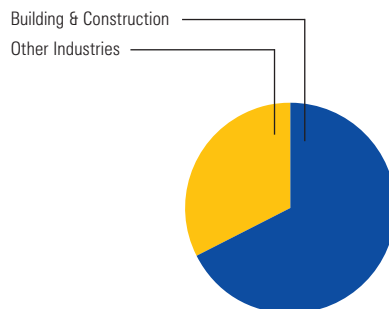


Lemtronics Review

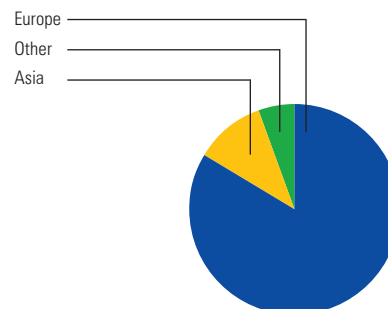
Main Products

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

SALES BY INDUSTRY



SALES BY END MARKETS



		2001	2000	1999	1998	1997
Total sales	\$000s	52,839	46,337	41,987	23,978	27,296
Overseas sales & exports	%	99	99	100	100	100
Profit before abnormals interest & tax	\$000s	1,961	2,159	1,342	865	712
Total assets	\$000s	31,590	23,723	17,936	21,728	18,242
Employees		714	770	798	1,158	532

LEMTRONICS SDN BHD

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

Hans Pihl
Chief Operating Officer

F C Goh FAIA
Commercial Manager

K C Chuang B Sc
Manufacturing Manager

Roland Victor B Sc
Development Engineering Manager

R Jayaratnam M Sc
Special Projects Manager

S Balaguru B Sc
Quality Assurance Manager

Lemtronics' sales increased to AUD 52.8 million. However, this partly reflects the lower value of the Australian Dollar: actual invoicing increased only marginally.

Careful management of inventory related to changing global demand levels for components enabled the company to stabilise operations and improve efficiency. When components were scarce we expanded inventory levels to ensure we could service customer demand. As the shortage

eased, we reversed our inventory practice and in this way improved our capital management.

Slow downs in Europe and North America did not impact too heavily as our products are more exposed to semi industrial markets.

Nevertheless, margins were pressured by the devaluation of Euro currencies and increased competition created by low growth.

Improved management of inventory permitted us to more easily finance new equipment including a new surface mounted automatic insertion line which provides us with new product opportunities and greater capacity.

We used the tougher conditions to refocus effort on reducing cycle times, improving flexibility and upgrading computer systems. A new 2,000 square metre rented facility was also commissioned.

All of these steps help to ensure that the company is well positioned to manage the challenges ahead including the current slow down. We are increasing our sales effort in specific areas but this is unlikely to bring short term benefits.

Alain Badoux



The company is primarily exposed to semi industrial products and has therefore experienced slightly less impact from slower consumer markets in the USA and Western Europe.

Corporate Governance Statement

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 six directors in keeping with its size, three of whom were non executive directors. Details of directors are set out in the Directors' Report. Three Board sub-committees exist, namely Audit, Remuneration and Corporate Governance.

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

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 and the Annual General

Meeting, 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.

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 Act 2001;
- 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 Act 2001 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;

- Copies of all releases to the Australian Stock Exchange are sent to shareholders and posted on our Web Site;
- proposed major changes in the economic entity which may impact on share ownership rights are submitted to a vote of shareholders; and
- The Company maintains an updated Web Site for reference by Shareholders and the investment community in general.

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.