

FINANCIAL STATEMENTS

Financial Statements for the Year ended 30 June 2000 – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

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PROFIT AND LOSS STATEMENTS

Profit and Loss Statements for the Year Ended 30 June 2000 – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

		2000	1999	2000	1999
		\$000	\$000	\$000	\$000
	<i>Note</i>	<i>Consolidated</i>	<i>Lemarne Corporation Limited</i>		
Operating Revenue	<i>2</i>	161,275	165,054	3,017	9,846
Operating profit before abnormal items	<i>3</i>	12,043	9,271	1,669	3,015
Abnormal items	<i>4</i>	–	1,253	–	2,934
Operating profit before income tax		12,043	10,524	1,669	5,949
Income tax attributable to operating profit	<i>5</i>	4,267	4,078	(16)	626
Operating profit after income tax		7,776	6,446	1,685	5,323
Outside equity interests in operating profit after income tax		1,894	1,647	–	–
Operating profit after income tax attributable to members of the parent entity		5,882	4,799	1,685	5,323
Retained profits at the beginning of the financial year		27,780	25,274	12,768	9,756
Aggregate of amounts transferred from reserves		–	18	–	–
Total available for appropriation		33,662	30,091	14,453	15,079
Dividends provided for or paid	<i>6</i>	2,482	2,311	2,482	2,311
Retained profits at the end of the financial year		31,180	27,780	11,971	12,768

The accompanying notes form part of these financial statements.

BALANCE SHEETS

Balance Sheets as at 30 June 2000 – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

		2000 \$000	1999 \$000	2000 \$000	1999 \$000
	Note	Consolidated	Lemarne Corporation Limited		
Current Assets					
Cash		6,228	10,598	893	6,880
Receivables	8	34,999	23,377	513	550
Inventories	9	30,020	30,166	–	–
Other	10	1,091	928	7	15
TOTAL CURRENT ASSETS		72,338	65,069	1,413	7,445
Non-Current Assets					
Receivables	8	–	–	6,150	5,900
Investments	22	–	–	10,370	10,305
Property, plant and equipment	11	28,041	29,730	159	149
Intangibles	12	3,981	4,343	–	–
Other	13	4,269	4,176	87	88
TOTAL NON-CURRENT ASSETS		36,291	38,249	16,766	16,442
TOTAL ASSETS		108,629	103,318	18,179	23,887
Current Liabilities					
Accounts Payable	14	18,591	18,744	151	482
Borrowings	15	20,463	18,992	20	4,007
Provisions	16	6,331	6,007	1,399	1,917
Other	17	297	358	–	–
TOTAL CURRENT LIABILITIES		45,682	44,101	1,570	6,406
Non-Current Liabilities					
Borrowings	15	9,733	10,904	–	19
Provisions	16	5,127	5,281	64	152
Other	17	80	77	–	–
TOTAL NON-CURRENT LIABILITIES		14,940	16,262	64	171
TOTAL LIABILITIES		60,622	60,363	1,634	6,577
NET ASSETS		48,007	42,955	16,545	17,310
Shareholders' Equity					
Share capital	18	4,574	4,542	4,574	4,542
Reserves	19	1,313	620	–	–
Retained profits		31,180	27,780	11,971	12,768
Shareholders' equity attributable to members of the parent entity		37,067	32,942	16,545	17,310
Outside equity interests in controlled entities	20	10,940	10,013	–	–
TOTAL SHAREHOLDERS' EQUITY		48,007	42,955	16,545	17,310
Commitments and Contingent Liabilities	21				

The accompanying notes form part of these financial statements.

STATEMENTS OF CASH FLOWS

Statements of Cash Flows for the Year Ended 30 June 2000 – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

	2000 \$000	1999 \$000	2000 \$000	1999 \$000
	<i>Note</i>	<i>Consolidated</i>	<i>Lemarne Corporation Limited</i>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts in the course of operations	147,256	158,304	1,127	1,211
Cash payments in the course of operations	(139,078)	(146,452)	(1,257)	(1,001)
Dividends received	–	–	1,753	3,098
Interest received	265	300	124	20
Interest paid	(1,643)	(1,865)	(7)	(238)
Interest paid to preference shareholders	–	(605)	–	–
Income tax paid	(3,746)	(5,356)	(633)	8
Net Cash provided by (used in) operating activities	<i>28(2)</i>	3,054	4,326	1,107
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on disposal of controlled entity/business	<i>28(4)</i>	711	5,296	223
Proceeds from sale of property, plant and equipment		256	515	12
Payments for controlled entities/business purchased	<i>28(3)</i>	(65)	(118)	(65)
Payments for property, plant and equipment		(3,814)	(7,526)	(59)
Payments for deferred expenditure		(893)	(526)	–
Loans advanced to related entities		–	–	(750)
Loans repaid by related entities		–	–	1,600
Net cash provided by (used in) investing activities		(3,805)	(2,359)	(639)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares		32	13	–
Share buy back from outside equity interests		–	(240)	–
Proceeds from borrowings		10,770	11,769	–
Repayment of borrowings		(13,658)	(9,424)	(4,007)
Dividends paid-members of parent entity	<i>6</i>	(2,480)	(2,146)	(2,480)
Dividends paid-outside equity interests	<i>20</i>	(1,223)	(989)	–
Net cash provided by (used in) financing activities		(6,559)	(1,017)	(6,455)
Net increase (decrease) in cash held		(7,310)	950	(5,987)
Exchange Rate Adjustments		(154)	(160)	–
Cash balances in controlled entity acquired (disposed)	<i>28(4)</i>	–	(652)	–
Cash at the beginning of the financial year	<i>28(1)</i>	8,541	8,403	6,880
Cash at the end of the financial year	<i>28(1)</i>	1,077	8,541	893

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 2000 – Learne Corporation Limited ABN 72 004 834 584 and Controlled Entities

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1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law. The financial report has been prepared on the basis of historical cost and except where stated, does 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.

Significant Accounting Policies

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

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

(a) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company, being the parent entity, and its controlled entities ("the economic entity").

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-company balances and transactions, and unrealised profits arising within the economic entity are eliminated in full.

The controlled entities are listed in Note 22.

(b) Revenue Recognition

Sale of Goods

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products to entities outside the economic entity. Sales revenue is recognised when the control of goods passes to the customer.

Rendering of Services

Revenue from rendering services is recognised in the period in which the service is provided, having regard to the stage of completion of the contract.

Interest Income

Interest income is recognised as it accrues.

(c) Foreign Currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the profit and loss statement in the financial year in which the exchange rates change.

The accounting for hedges is set out in Note 1(q).

Translation of Controlled Foreign Entities

The balance sheets of the overseas controlled entities (being self sustaining foreign operations) are translated at the rate of exchange ruling at balance date. The profit and loss statements are translated at a weighted average rate for the year. Exchange differences arising on translation are brought to account by entries made directly to the foreign currency translation reserve. The balance of the foreign currency translation reserve relating to a controlled entity that is disposed of is transferred to retained earnings in the year of disposal.

(d) Income Tax

The economic entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(e) Receivables

Trade receivable 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. Costs are based on the first-in first-out and weighted-average methods and include 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. 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) Non-current Assets

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(j) Intangibles

Goodwill on Consolidation

Goodwill representing the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired on the acquisition of a controlled entity, is amortised over the period of time during which benefits are expected to arise.

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

The unamortised balance of goodwill is reviewed at least at each reporting date. Where the balance exceeds the value of expected future benefits, the difference is charged to the profit and loss statement.

Intellectual Property

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(k) Deferred Expenditure

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

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

Relocation Costs

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

Product Development Costs

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred and amortised on a straight line basis over the period in which the related benefits are expected to be realised.

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.

(l) 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.

(m) 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.

(n) 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.

Executive Share Option Plan

Lemarne Corporation Limited granted options to certain executives under an executive share option plan. Further information is set out in Note 18 to the financial statements. Other than the costs incurred in administering the schemes which are expensed as incurred, the schemes do not result in any expense to the economic entity.

(o) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(p) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

(q) Derivatives

The economic entity is exposed to changes in interest rates and foreign exchange rates from its activities. The economic entity uses forward foreign exchange contracts. Derivative financial instruments are not held for speculative purposes.

Hedges

All non-specific hedge transactions are initially recorded at the relevant rate at the date of the transaction. Hedges outstanding at balance date are valued at the rates ruling on that date and any gains or losses are brought to account in the profit and loss statement. Costs or gains arising at the time of entering into the hedge are deferred and amortised over the life of the hedge.

Where hedge transactions are designated as a hedge of the purchase or sale of goods or services or an anticipated interest transaction, gains and losses arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the transaction. Any gains or losses on the hedge transaction after that date are included in the profit and loss statement.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur, the deferred gains and losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale or interest transaction when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur, deferred gains and losses that arose on the hedge prior to its termination are included in the profit and loss statement for the period.

Where a hedge is redesignated as a hedge of another transaction, gains and losses arising on the hedge prior to its redesignation are only deferred where the original anticipated transaction is still expected to occur. Where the original anticipated transaction is no longer expected to occur, any gains or losses relating to the hedge instrument are included in the profit and loss statement for the period.

Gains and losses that arise prior to and upon the maturity of transactions entered into under hedge rollover strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur. If the forecasted transaction is no longer expected to occur, the gains and losses are recognised immediately in the profit and loss statement.

Forward Foreign Exchange Contracts

Forward foreign exchange contracts are accounted for as described under Hedges above.

(r) Changes in Accounting Policies

There were no changes in accounting policies during the year.

(s) Comparative Figures

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

	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
2 OPERATING REVENUE				
Included in operating revenue are the following items entering into the determination of operating profit:				
Operating Revenue				
Sales revenue – sale of goods	158,572	156,369	–	–
Other revenue				
Dividends received or due and receivable from:				
Controlled entities	–	–	1,753	3,098
Interest revenue:				
Controlled entities	–	–	44	5
Other persons	261	299	80	14
Bad debts recovered	35	22	–	–
Other income	1,049	1,847	1,128	1,211
Non Operating Revenue				
Proceeds on sale of:				
Plant and equipment	706	515	12	18
Business	652	452	–	–
Controlled entity	–	5,550	–	5,550
	161,275	165,054	3,017	9,896

3 OPERATING PROFIT

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

(a) Operating Expenses

Interest attributable to:

Other persons				
– Borrowings	1,587	1,812	5	248
– Redeemable preference shareholders paid by way of dividends	–	376	–	–
Finance charges on capitalised leases	55	80	2	5
Bad trade debts	36	17	–	–
Amortisation of:				
Intellectual property	125	125	–	–
Product development costs	224	154	–	–
Goodwill on consolidation	266	360	–	–
Goodwill	10	11	–	–
Leased assets capitalised	170	227	7	22
Leasehold property	311	362	–	–
Other non-current assets	70	73	–	–

	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
3 OPERATING PROFIT (Cont.)				
(a) Operating Expenses (Cont.)				
Depreciation of property, plant and equipment	5,272	5,376	30	16
Amounts set aside to provisions for:				
Doubtful trade debts	150	266	–	–
Employee entitlements	1,099	962	32	(14)
Stock obsolescence	431	23	–	–
Warranties	143	307	–	–
Loss on sale of plant and equipment	31	276	1	–
Loss on sale of investments	25	–	25	–
Operating leases – rental expenses	1,662	2,781	72	72
Foreign exchange losses	44	60	–	–
Write down in value of:				
Inventories	405	438	–	–
Plant and equipment (scrapped)	98	5	–	–
(b) Bad Debts Written off Against Provision	101	227	–	–
(c) Operating Profits				
Profit on sale of plant and equipment	426	23	–	2
Profit on sale of business	336	–	–	–
Provision of intellectual property	150	–	–	–
Foreign exchange gains	316	42	–	–
	\$	\$	\$	\$
(d) Remuneration of Auditors				
Amounts received or due and receivable for audit services by:				
– Auditors of the parent entity	197,657	187,247	32,671	20,800
– Other auditors	45,371	66,823	–	–
Amounts received or due and receivable for other services by:				
– Auditors of the parent entity	45,259	56,933	3,881	7,675
– Other auditors	33,687	20,261	–	–

		2000	1999	2000	1999
		\$000	\$000	\$000	\$000
	<i>Note</i>	<i>Consolidated</i>	<i>Lemarne Corporation Limited</i>		
4 ABNORMAL ITEMS					
Revenue					
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
Expenses					
Costs associated with the closure of the Techbuild Composites (UK) business by overseas controlled entity		–	(1,310) ¹	–	–
Income tax effect		–	393	–	–
Tax losses not recognised	5	–	(254)	–	–
		–	(1,171)	–	–
Costs associated with the closure of Com 10's factory at Revesby NSW		–	(443)	–	–
Provision for surplus leased property at Revesby NSW	16	–	(200)	–	–
		–	(643)	–	–
Income tax effect		–	231	–	–
		–	(412)	–	–
Aggregate abnormal items before income tax		–	1,253	–	2,934
Aggregate income tax effect		–	(222)	–	(653)
Aggregate abnormal items after income tax		–	1,031	–	2,281

¹ 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.

	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
5 TAXATION				
Income Tax Expense				
Prima facie income tax expense calculated at 36% (1999 – 36%) on the operating profit	4,335	3,789	601	2,142
Increase in income tax expense due to non tax deductible items:				
Interest on preference shares	–	135	–	–
Amortisation of:				
Goodwill on consolidation	96	130	–	–
Goodwill	4	4	–	–
Intellectual property	45	45	–	–
Depreciation	26	18	2	–
Timing differences and tax losses not recognised in overseas entities	162	627 ¹	–	–
Other non-deductible items	98	124	15	2
Decrease in income tax expense due to:				
Rebate on dividend income	–	–	628	1,115
Non assessable profit on disposal of controlled entity	–	240	–	240
Tax on overseas results at lower rates	109	(88)	–	–
Research and development allowance	134	192	–	–
Discount on acquisition realised	15	15	–	–
Carried forward tax losses not previously brought to account	38	163	–	163
Export allowance	473	–	–	–
Other	8	208	–	–
Income tax expense on profit	3,989	4,142	(10)	626
Income tax under/(over) provided in prior year	187	(82)	(14)	–
Restatement of deferred tax balances due to change in company tax rate	91	18	8	–
Total income tax expense	4,267	4,078	(16)	626
Total income tax expense consists of:				
Current income tax payable	3,479	4,047	–	637
Provision for deferred income tax	291	213	(2)	(10)
Future income tax benefit	310	(100)	–	(1)
Under/(over) provision in prior year	187	(82)	(14)	–
	4,267	4,078	(16)	626

¹ Includes abnormal tax losses associated with Techbuild Composites closure of \$254,000.

	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
<i>Note</i>	<i>Consolidated</i>	<i>Lemarne Corporation Limited</i>		
5 TAXATION (Cont.)				
Provision for Current Income Tax				
Movements during the year were as follows:				
Balance at beginning of year	2,121	3,526	637	1
Deletion due to disposal of controlled entity	–	(64)	–	–
Income tax paid	(3,746)	(5,356)	(633)	8
Current year's income tax	3,479	4,047	–	637
Prior year under/(over) provision	99	(22)	(14)	–
Exchange rate movement	3	(5)	–	–
Over paid (refund due)	215	(5)	10	(9)
	2,171	2,121	–	637

Provision for Deferred Income Tax

Provision for deferred income tax comprises the estimated expense at the applicable rate of 34% or 30%, depending on when the liability of the component is expected to be realised (1999: 36%) on the following items:

Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	2,402	2,336	–	–
Expenditure currently deductible but deferred and amortised for accounting purposes	551	391	2	5
Sundry items	1	–	–	–
	2,954	2,727	2	5

Future Income Tax Benefit

Future income tax benefit comprises the estimated future benefit at the applicable rate of 34% or 30%, depending on when the benefit of the component is expected to be realised (1999: 36%) on the following items:

Provisions, expenses and accrued employee entitlements not currently deductible	2,217	2,607	89	87
Tax losses carried forward	435	553	–	–
Difference in depreciation and amortisation of fixed and leased assets for accounting and income tax purposes	298	307	(2)	1
	2,950	3,467	87	88

Future Income Tax Benefit Not Taken to Account

Tax losses of \$646,000 (1999: \$520,000) in overseas controlled entities and gross capital losses of \$1,178,802 (1999: \$1,178,002) in a controlled entity have not been recognised as an asset because they are not virtually certain to be realised.

2000	1999	2000	1999
\$000	\$000	\$000	\$000

*Consolidated**Lemarne Corporation Limited***5 TAXATION (Cont.)****Dividend Franking Account**

As at 30 June, 2000 the parent entity's Dividend Franking Account "C" (34%) (1999: 36%) had a surplus of \$7,210,626 (1999: \$6,205,000). 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 \$8,827,467 (1999: \$5,841,000) for the Company and \$19,045,443 (1999: \$13,588,000) 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 7.5 cents per share (1999 – 6.5 cents) was paid on 24 March 2000	1,242	1,073	1,242	1,073
(ii) a final fully franked to 34% (1999: 36%) ordinary dividend of 7.5 cents per share (1999 - 7.5 cents) has been declared by Directors	1,240	1,238	1,240	1,238
Total dividends paid	2,482	2,311	2,482	2,311

7 EARNINGS PER SHARE

	2000	1999
Basic earnings per share	35.6 cents	29.1 cents
Diluted earnings per share	33.7 cents	28.6 cents

Number of Shares

Weighted average number of ordinary shares used in the calculation of basic earnings per share	16,527,122	16,506,744
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	17,774,574	17,043,466

Potential Ordinary Shares

At 30 June 2000 the Company had on issue 10,000 options at an exercise price of \$3.96, 350,000 options at an exercise price of \$3.56, 10,000 options at an exercise price of \$3.06, 75,000 options at an exercise price of \$3.08 and 600,000 options at an exercise price of \$2.86

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 calculate the number of shares the option holders will be entitled to. Nevertheless we have estimated 193,000 shares for the purpose of calculating the diluted earnings per share.

		2000	1999	2000	1999
		\$000	\$000	\$000	\$000
	<i>Note</i>	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
8 RECEIVABLES					
Current					
Trade debtors	27	33,937	22,709	–	–
Less:					
Provision for doubtful debts		(421)	(349)	–	–
		33,516	22,360	–	–
Bills receivable		–	–	–	–
Other debtors		1,483	1,017	13	550
Owing by controlled entity	26	–	–	500	–
		34,999	23,377	513	550
Non Current					
Owing by controlled entity	26	–	–	6,150	5,900
9 INVENTORIES					
Current					
Finished goods					
– at cost		9,546	10,189	–	–
– at net realisable value		763	581	–	–
Raw materials		14,080	15,009	–	–
Work in progress		5,223	4,183	–	–
		29,612	29,962	–	–
Construction Contracts					
– Construction work in progress		868	280	–	–
– Less: Progress billings		(460)	(76)	–	–
		408	204	–	–
		30,020	30,166	–	–
10 OTHER CURRENT ASSETS					
Prepayments		1,078	844	7	15
Deposits		13	84	–	–
		1,091	928	7	15

	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
11 PROPERTY, PLANT AND EQUIPMENT				
Freehold land –				
At independent valuation – 1999	1,236	1,186	–	–
	1,236	1,186	–	–
Freehold buildings –				
At independent valuation – 1999	3,215	3,118	–	–
Less: Accumulated depreciation	(71)	–	–	–
	3,144	3,118	–	–
Leasehold land and buildings –				
At independent valuation – 1999	2,042	1,870	–	–
Less: Accumulated amortisation	(58)	–	–	–
	1,984	1,870	–	–
Leasehold improvements –				
At cost	2,415	2,287	–	–
Less: Accumulated amortisation	(1,648)	(1,286)	–	–
	767	1,001	–	–
Plant and equipment –				
At cost	45,749	42,541	225	175
At directors' valuation – 1991	652	885	–	–
Less: Accumulated depreciation	(26,003)	(21,647)	(86)	(66)
	20,398	21,779	139	109
Leased plant and equipment –				
At capitalised cost	910	1,121	44	110
Less: Accumulated amortisation	(476)	(496)	(24)	(70)
	434	625	20	40
Capital work in progress	78	151	–	–
Total property, plant and equipment – net book value	28,041	29,730	159	149
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
– buildings	71	47	–	–
– leasehold improvements	311	362	–	–
– plant and equipment	5,371	5,556	37	38
	5,753	5,965	37	38

		2000	1999	2000	1999
		\$000	\$000	\$000	\$000
	<i>Note</i>	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
11 PROPERTY, PLANT AND EQUIPMENT (Cont.)					
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.					
12 INTANGIBLES					
Goodwill on consolidation	28(4)	2,770	2,716	–	–
Less: Accumulated amortisation	3	(914)	(623)	–	–
		1,856	2,093	–	–
Patents and intellectual property		2,500	2,500	–	–
Less: Accumulated amortisation	3	(375)	(250)	–	–
		2,125	2,250	–	–
		3,981	4,343	–	–
13 OTHER NON-CURRENT ASSETS					
Deferred expenditure					
Relocation costs		370	370	–	–
Less: Accumulated amortisation	3	(313)	(243)	–	–
		57	127	–	–
Share issue expenses		–	21	–	–
Less: Accumulated amortisation		–	(21)	–	–
		–	–	–	–
Product development costs					
Expenditure brought forward		582	1,116	–	–
Deferred in current period		893	526	–	–
Less: Disposed of in current period	28(4)	–	(1,060)	–	–
Accumulated amortisation	3	(213)	–	–	–
		1,262	582	–	–
Future income tax benefit	5	2,950	3,467	87	88
		4,269	4,176	87	88

		2000	1999	2000	1999
		\$000	\$000	\$000	\$000
	<i>Note</i>	<i>Consolidated</i>	<i>Lemarne Corporation Limited</i>		
14 ACCOUNTS PAYABLE					
Current					
Trade creditors	27	12,029	12,283	–	–
Other creditors and accruals		6,562	6,461	112	482
Amounts owing to controlled entity	26	–	–	39	–
		18,591	18,744	151	482
15 BORROWINGS					
Current					
Bank overdraft – secured		5,151	2,057	–	–
Bank loans and bills – secured		14,871	16,572	–	4,000
Lease liabilities	21	264	307	20	7
Hire purchase liabilities		177	56	–	–
		20,463	18,992	20	4,007
Non-Current					
Bank loans – secured		9,563	10,406	–	–
Lease liabilities	21	170	321	–	19
Hire purchase liabilities		–	177	–	–
		9,733	10,904	–	19
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.					
A short term bank borrowing of \$4,000,000 taken out by Lemarne Corporation Limited was repaid during the year.					
16 PROVISIONS					
Current					
Dividends	6	1,240	1,238	1,240	1,238
Income tax	5	2,171	2,121	–	637
Employee entitlements		2,633	2,116	159	42
Surplus leased premises	4	–	200	–	–
Warranties		287	316	–	–
Other		–	16	–	–
		6,331	6,007	1,399	1,917
Non-Current					
Employee entitlements		2,145	2,387	62	147
Deferred income tax	5	2,954	2,727	2	5
Warranties		28	167	–	–
		5,127	5,281	64	152

	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
16 PROVISIONS (Cont.)				
Aggregate Employee Entitlements				
Current	2,633	2,116	159	42
Non-current	2,145	2,387	62	147
	4,778	4,503	221	189
17 OTHER				
Current				
Deferred income/customer deposits	297	358	–	–
Non-Current				
Deferred income	80	77	–	–
18 SHARE CAPITAL				
Issued and Paid Up Capital				
16,536,466 (1999 – 16,506,466 fully paid; 30,000 partly paid) ordinary shares fully paid	4,574	4,542	4,574	4,542
Movements in Ordinary Share Capital				
Balance at beginning of the financial year	4,542	3,302	4,542	3,302
Shares issued – partly paid shares now paid up	32	–	32	–
Balance of share premium reserve transferred in <i>(See Note Below)</i>	–	1,240	–	1,240
	4,574	4,542	4,574	4,542

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.

Lemarne Corporation Limited's share price at 30 June 2000 was \$2.60 (1999: \$2.25).

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 10,000 options to an employee of the Company at an exercise price of \$3.96. 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. On 28 January 2000, 75,000 options at an exercise price of \$3.08 were granted to an overseas manager of the Pacific Composites Group, while on 30 March 2000, 600,000 options were granted to the General Manager of the Company at an exercise price of \$2.86.

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.

	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
	<i>Note</i>	<i>Consolidated</i>	<i>Lemarne Corporation Limited</i>	
18 SHARE CAPITAL (Cont.)				
Note (Cont.)				
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 calculate the number of shares the option holders will be entitled to, but our best estimate at this time is 193,000. The options may be exercised for a period of three months from 21 February 2002.				
19 RESERVES				
Capital				
Share premium		–	–	–
Asset revaluation		1,846	1,846	–
Revenue				
Foreign currency translation		(533)	(1,226)	–
		1,313	620	–
Movements During the Year				
<i>Share Premium</i>				
Balance at beginning of year		–	1,258	–
Transfer to share capital	<i>18</i>	–	(1,240)	–
Transfer to retained profits		–	(18)	–
Balance at end of year		–	–	–
<i>Asset Revaluation</i>				
Balance at beginning of year		1,846	1,227	–
Revaluation of freehold and leasehold land and buildings		–	619	–
Balance at end of year		1,846	1,846	–
<i>Foreign Currency Translation</i>				
Balance at beginning of year		(1,226)	(584)	–
Gain (Loss) on translation of overseas controlled entity's financial statements		693	(642)	–
Balance at end of year		(533)	(1,226)	–
TOTAL RESERVES		1,313	620	–

	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
20 OUTSIDE EQUITY INTERESTS				
Share capital of controlled entities issued to outside equity interests:				
Interest in Share Capital <i>(see Note below)</i>	5,677	5,415		
Interests in retained profits at beginning of the financial year	5,651	5,103		
Interests in operating profit after tax for the year	1,894	1,647		
Interests disposed of	(26)	(110)		
Dividends	(1,223)	(989)		
Interest in Retained Profits	6,296	5,651		
Interest in Reserves	(1,033)	(1,053)		
Total Outside Equity Interests	10,940	10,013		

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 2000 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 Actuary has calculated that at 18 January 2000 the scheme had a funding deficit of UK£72,687. This sum exceeds earlier estimates and is being investigated.

Operating Leases

The economic entity leases property under operating leases expiring from 1 to 5 years. Leases generally provide the economic entity with a right of renewal at which time all terms are re-negotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on movements in the Consumer Price Index.

	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
21 COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)				
Operating Lease Rental Commitments				
Future operating lease rentals of property:				
Due:				
not later than one year	1,784	1,280	11	40
later than one year but not later than five years	1,379	1,624	–	7
later than five years	–	–	–	–
	3,163	2,904	11	47
Finance Leases				
Finance leases are secured over the assets leased.				
The economic entity leases production plant and equipment under finance leases expiring from one to three years. At the end of the lease term the economic entity has the option to purchase the equipment at a price deemed to be a bargain purchase option.				
Finance Lease Commitments				
Included as lease liabilities are the present values of future rentals for leased assets capitalised:				
Current	264	307	20	7
Non-Current	170	321	–	19
	434	628	20	26
Lease commitments in respect of capitalised finance leases are payable as follows:				
not later than one year	289	361	21	9
later than one year but not later than five years	187	358	–	20
later than five years	–	–	–	–
	476	719	21	29
Deduct: Future finance charges	42	91	1	3
Total lease liability	434	628	20	26
Capital Expenditure Commitments				
Contracted for at balance date but not provided for	28	406	–	–
Authorised at balance date but not contracted for	13	75	–	–
	41	481	–	–
The above capital expenditure commitments are due not later than one year				
Contingent Liabilities				
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	72	113	–	–

	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	

21 COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)**Service Agreements**

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

201	696	–	–
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22 INVESTMENTS

Non-Current

Shares in controlled entities – at cost	–	–	10,370	10,305
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Controlled Entities

Name of Entity	Country of Incorporation	Ownership Interest	
		2000 %	1999 %
Parent Entity			
Lemarne Corporation Limited	Australia		
Controlled Entities			
Pacific Composites Pty Ltd	Australia	100	100
<i>Controlled Entities</i>			
– Pacific Composites (Europe) Ltd	United Kingdom ³	100	100
– Fibreforce Composites Ltd	United Kingdom ³	100	100
– Pultrex Ltd	United Kingdom ³	100	100
– Pacific Composites (NZ) Ltd	New Zealand ¹	100	100
U R Machinery Pty Ltd	Australia ²	100	100
<i>Controlled Entities</i>			
– U R Machinery Inc	USA	100	–
Lemvest Ltd	Australia	59	59
<i>Controlled Entities</i>			
– Fine Pearl Sdn Bhd	Malaysia ¹	100	100
– Lemtronics Sdn Bhd	Malaysia ¹	100	100
– Richardson Pacific Ltd	Australia	100	100
– Screenex Australia Pty Ltd	Australia ⁶	100	–
– Richardson Pacific (NZ) Ltd	New Zealand ³	100	100
– Richardson Pacific (Asia) Ltd	Hong Kong ³	100	100
– PT Lunto Richpac	Indonesia ⁵	70	70
– Com 10 Pty Ltd	Australia	100	100
– Com 10 Manufacturing Pty Ltd	Australia	100	100
– Com 10 Communications Pty Ltd	Australia	100	100
– Comten (Malaysia) Sdn Bhd	Malaysia ¹	70	70
– Boardfinish Ltd	United Kingdom ⁴	100	100

22 INVESTMENTS (Cont.)

Controlled Entities (Cont.)

- 1 Controlled entities not audited by Deloitte Touche Tohmatsu at 30 June 2000. The Malaysian entities were audited by KPMG, Malaysia. The New Zealand entity did not trade and did not need to be audited.
- 2 U R Machinery Pty Ltd had its accounts audited by Taxation & Accounting Services Sunraysia, Mildura, Victoria an associate of Deloitte Touche Tohmatsu.
- 3 Controlled entities audited by associated firms of Deloitte Touche Tohmatsu International.
- 4 Controlled entity not audited in 2000 due to limited trading.
- 5 This entity was audited by Drs. Budiman-Tambun, Indonesia.
- 6 This controlled entity was incorporated on 30 June 1999 and did not trade. It is classified as a small proprietary company, and in accordance with the Corporation Law, is relieved from the requirement to prepare, audit and lodge financial statements.

	<i>Note</i>	<i>Consideration \$000</i>	<i>Consolidated Profit on Disposal \$000</i>	<i>The Consolidated Entity's Interest %</i>
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23 ACQUISITION/DISPOSAL OF CONTROLLED ENTITIES

2000 Acquisitions

No entities or businesses were acquired during the year apart from a shelf company in the USA, U R Machinery Inc.

1999 Acquisitions

No entities or businesses were acquired during the financial year apart from two shelf companies, to facilitate the formation of : Screenex Australia Pty Ltd, and Comten (Malaysia) Sdn Bhd.

2000 Disposals

In March 2000, U R Machinery Pty Ltd disposed of its wind machine business

<i>28(4)</i>	502	336	—
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1999 Disposals

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.

<i>28(4)</i>	5,550	3,337	—
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In October 1998 Fibreforce Composites Ltd disposed of part of the Techbuild business in the UK

<i>28(4)</i>	452	217	—
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2000	1999	2000	1999
\$	\$	\$	\$

Consolidated

Lemarne Corporation Limited

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

3,339,175	3,530,390	939,031	731,050
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The number of directors of the Company, including executive directors, whose income from the Company and any related party was within the following bands:

	No.	No.
\$ 70,000 – \$ 79,999	2	2
\$ 130,000 – \$ 139,999	–	1
\$ 140,000 – \$ 149,999	1	–
\$ 150,000 – \$ 159,999	1	–
\$ 170,000 – \$ 179,999	–	1
\$ 220,000 – \$ 229,999	1	–
\$ 250,000 – \$ 259,999	1	–
\$ 260,000 – \$ 269,999	–	1

No director received income in bands of income not shown.

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:

	No.	No.	No.	No.
\$ 100,000 – \$ 109,999	7	3	–	–
\$ 110,000 – \$ 119,999	5	6	–	–
\$ 120,000 – \$ 129,999	2	4	–	–
\$ 130,000 – \$ 139,999	1	4	–	1
\$ 140,000 – \$ 149,999	2	2	1	–
\$ 150,000 – \$ 159,999	1	–	1	–
\$ 160,000 – \$ 169,999	1	1	–	–
\$ 170,000 – \$ 179,999	1	1	–	–
\$ 180,000 – \$ 189,999	1	2	–	–
\$ 190,000 – \$ 199,999	–	1	–	–
\$ 200,000 – \$ 209,999	1	–	–	–
\$ 210,000 – \$ 219,999	1	1	–	–
\$ 220,000 – \$ 229,999	1	–	–	–
\$ 250,000 – \$ 259,999	1	–	1	–
\$ 260,000 – \$ 269,999	1	2	–	1

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

\$	\$	\$	\$
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Total remuneration received, or due and receivable, by these executives from the parent entity and any related party

3,843,788	3,966,010	561,775	406,350
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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 (1999 – Nil).

	2000	1999	2000	1999	2000	1999
	\$000	\$000	\$000	\$000	\$000	\$000
	<i>Sales Revenue</i>		<i>Operating Profit before Income Tax</i>		<i>Assets</i>	

25 STATEMENT OF OPERATIONS OF SEGMENTS

Industry Segments

Agricultural Equipment	12,085	7,317	3,226	1,756	11,390	11,290
Electronics	46,337	42,004	1,932	803	23,763	17,987
Lighting	–	15,217	–	518	–	–
Perforated Metals	31,311	29,452	3,519	3,719	24,939	26,640
Reinforced Plastics	29,015	26,238	2,252	(1,372)	19,723	18,151
Telecommunications	39,824	36,141	1,213	2,268	25,539	19,834
Investment	–	–	(99)	2,832 ¹	3,275	9,416
	158,572	156,369	12,043	10,524	108,629	103,318

Geographical Segments

Australasia	94,485	97,072	10,891	12,977	68,694	70,834
Asia	51,207	45,975	1,696	489	28,731	21,985
Europe	12,880	13,322	(544)	(2,942)	11,204	10,499
	158,572	156,369	12,043	10,524	108,629	103,318

Sales by Destination (\$000)

	Australasia	Asia	Europe	Other	TOTAL
2000	71,117	19,835	56,285	11,335	158,572
1999	81,869	12,037	55,433	7,030	156,369

There were no material intersegment sales.

The major products/services from which the above segments derive revenue are:

<i>Industry segments</i>	<i>Products/Services</i>
Agricultural Equipment	Design, manufacture and marketing of mechanical grape harvesters and specialised vineyard equipment.
Electronics	Electronic sub-assemblies used mainly in the power tool, telecommunications, automotive and security industries.
Perforated Metals	Sheet metal work, flooring, data cabinets and polyurethane screening systems
Reinforced Plastics	Pultruded products including tension members, mine bolts, grating, cable support systems, angles, beams, rods and bars. Prepreg tapered and parallel tubing. Pultrusion, pulwinding and filament winding machinery
Telecommunication Products	Power systems, rectifiers, converters, ISDN access products, and telephone accessories.

¹After abnormal profit of \$3,206,000 on the sale of our lighting subsidiary and after expensing \$428,000 interest on preference shares in 1999.

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, S L Mason and S J Milner. Messrs E B Noxon, P G Davenport, S L Mason and S J Milner are also directors of U R Machinery Pty Ltd and Com 10 Pty Ltd. Messrs E B Noxon, P G Davenport, J C Larking and S J Milner are directors of controlled entity Lemvest Limited and Lemtronics Sdn Bhd. Mr S L Mason is also a director of Lemtronics Sdn Bhd and Fine Pearl Sdn Bhd. Messrs E B Noxon, J C Larking, G R Capper and S J Milner are directors of controlled entity Pacific Composites Pty Ltd. Messrs E B Noxon, J C Larking and S J Milner 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 6,159,210 (1999: 6,068,384 ordinary shares).

During the period the aggregate number of ordinary shares acquired either directly or indirectly by directors or their director related entities was 492,526 (1999: 34,300) ordinary shares and disposals were 401,700 (1999: Nil) ordinary shares. 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 the Company provided management, accounting and secretarial services to its wholly owned controlled entities, Pacific Composites 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 \$492,000 (1999 : \$635,000).

At 30 June 2000 the loans outstanding totalled \$5,900,000 (1999: \$5,900,000). Interest charged on loans to controlled entities totalled \$9,000 (1999: \$5,000) for the year.

No dividends were received from Pacific Composites Pty Ltd or U R Machinery Pty Ltd during the year. In the previous year a dividend of \$1,700,000 was received by the Company from Spectra International Pty Ltd, which was then a wholly owned controlled entity.

		2000	1999
		\$000	\$000
	<i>Note</i>		<i>Lemarne Corporation Limited</i>
26 RELATED PARTY DISCLOSURES (Cont.)			
Controlled Entities (Cont.)			
<i>Wholly Owned (Cont.)</i>			
The aggregate amounts receivable from/and payable to wholly owned controlled entities by the Company at balance date:			
Amounts Receivable			
Amounts received or receivable from wholly owned controlled entities in relation to:			
Dividends		–	1,700
Management fees		427	522
Accounting and secretarial fees		65	113
Directors' fees		58	90
Interest	2	9	5
Amounts owing by wholly owned controlled entities:			
Amounts not bearing interest	8	5,900	5,900
<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 \$493,125 (1999 : \$445,000).			
Dividends received by the Company from partly owned controlled entities were \$1,753,443 (1999 : \$1,398,000).			
The aggregate amounts receivable from/and payable to partly owned controlled entities by the Company at balance date:			
Amounts Receivable			
Amounts received or receivable from partly owned controlled entities in relation to:			
Management fees		408	360
Accounting and secretarial fees		85	85
Directors' fees		85	40
Interest		35	–
Amounts owing by partly owned controlled entities:			
Interest bearing loan	8	750	–
Amounts Payable			
Sundry		39	–
Other related party disclosures are contained in Notes 2, 3, 8, 14, 15, 20, 21, 23 and 24.			

2000 1999
\$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	1,186	1,113
Deutsche Marks:		
Current	864	828
Singapore Dollars:		
Current	183	205
Hong Kong Dollars:		
Current	107	157
Japanese Yen:		
Current	–	52
Indonesian Rupiah:		
Current	–	24
Swiss Francs:		
Current	1	8
British Pounds:		
Current	3	10
Euro Dollars:		
Current	–	36
Spanish Pesetas:		
Current	48	–

Accounts Receivable

United States Dollars:		
Current	8,281	4,117
Deutsche Marks:		
Current	2,972	3,328
Hong Kong Dollars:		
Current	385	315
Singapore Dollars:		
Current	133	135
British Pounds:		
Current	157	–
Indonesian Rupiah:		
Current	60	15
Euro Dollars:		
Current	–	37
Swiss Francs:		
Current	31	–

	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
28 NOTES TO THE STATEMENT OF CASH FLOWS				
(1) Reconciliation of Cash				
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	4,854	9,565	293	6,880
Short Term Deposits	1,374	1,033	600	–
Bank Overdraft	(5,151)	(2,057)	–	–
	1,077	8,541	893	6,880
(2) Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities				
Operating Profit after Income Tax	7,776	6,446	1,685	5,323
Add (Less) items classified as investing/financing activities				
(Profit)/Loss on sale of non-current assets	(395)	294	1	(2)
(Profit)/Loss on sale of business	(461)	(3,376)	25	(2,934)
Add (Less) non-cash items				
Amortisation	1,175	1,311	7	22
Depreciation	5,272	5,376	30	16
Amounts set aside to provisions	1,823	1,929	32	(14)
Bad Debts	138	244	–	–
Write down of inventory	405	446	–	–
Fixed assets scrapped	98	5	–	–
Discount on acquisition	(42)	(43)	–	–
Unrealised foreign exchange gain (loss) on translation of controlled entity	451	28	–	–
Net cash provided by operating activities before change in assets and liabilities	16,240	12,660	1,780	2,411

	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
28 NOTES TO THE STATEMENT OF CASH FLOWS (Cont.)				
(2) Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities (Cont.)				
Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities				
(Increase)/decrease in inventories	(593)	(4,547)	–	–
(Increase)/decrease in prepayments/deposits	(163)	422	8	24
(Increase)/decrease in trade and other debtors	(11,814)	(793)	(12)	10
(Increase)/decrease in loans to controlled entities	–	–	38	–
(Decrease)/increase in trade and other creditors	150	(752)	(68)	29
(Decrease)/increase in provisions	(1,504)	(1,193)	–	–
(Decrease)/increase in income received in advance	(57)	(121)	–	–
(Decrease)/increase in income tax payable	51	(1,345)	(637)	635
(Decrease)/increase in deferred taxes payable	744	(5)	(2)	(11)
Net cash provided by operating activities	3,054	4,326	1,107	3,098
(3) Acquisition of Controlled Entities				
Aggregate details of these transactions are:				
Fair value of net assets acquired:				
Property, plant and equipment	–	–		
Cash	–	–		
Inventories	–	–		
Receivables	–	–		
Prepayments	–	–		
Intellectual property	–	–		
Future income tax benefit	–	–		
Creditors and borrowings	–	98		
Provisions	–	–		
Outside equity interests	43	2		
Fair Value of Net Assets acquired	43	100		
Purchase Price	65	118		
Goodwill on consolidation	22	18		
Consideration (cash)	65	118		
Less: Net cash acquired	–	–		
Net cash payment	65	118		

2000 1999
\$000 \$000

Consolidated

28 NOTES TO THE STATEMENT OF CASH FLOWS (Cont.)

(4) Controlled Entity Disposed

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

Details of the disposal are as follows:

Consideration

Cash	–	5,000
Accounts receivable	–	550
	–	5,550

Book Value of Net Assets Sold

Current assets		
Cash	–	652
Receivables	–	2,775
Inventories	–	2,381
Other	–	36
Non-current assets		
Property, plant and equipment	–	1,393
Goodwill on consolidation	–	840
Other	–	1,000
Current liabilities		
Loans	–	(2,587)
Trade creditors	–	(1,700)
Provisions	–	(280)
Non-current liabilities		
Loans	–	(2,134)
Provisions	–	(646)
Net assets disposed	–	1,730
Disposal costs	–	444
Profit on disposal	–	3,376
Proceeds on sale	–	5,550
<i>Net proceeds received</i>		
Cash received	525	5,000
Disposal costs paid	(302)	(155)
Net proceeds on disposal	223	4,845
Cash in controlled entity at disposal	–	(652)
Net cash gain	223	4,193

	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
	<i>Consolidated</i>		<i>Lemarne Corporation Limited</i>	
28 NOTES TO THE STATEMENT OF CASH FLOWS (Cont.)				
(4) Controlled Entity Disposed (Cont.)				
During the financial year a controlled entity disposed of a business, details of which are as follows:				
<i>Consideration</i>				
Goodwill	–	141		
Stock	152	–		
Plant and equipment	–	311		
Profit on disposal	336	–		
Net cash gain	488	452		
Disposal costs paid	14	–		
Proceeds on sale	502	452		
(5) Non-Cash Financing and Investment Activities				
Acquisition of plant and equipment by finance leases	76	275	–	–
(6) Financing Facilities				
Lemarne Corporation Ltd and its controlled entities have access to the following lines of credit:				
<i>Facilities available</i>				
Bank overdraft	7,224	5,204	–	–
Bank loans and commercial bills	27,471	34,992	–	6,000
Lease finance	2,164	2,013	34	30
Standby letters of credit	658	2,016	–	–
Indemnity/Guarantees	12,439	4,597	–	–
	49,956	48,822	34	6,030
<i>Facilities used at balance date</i>				
Bank overdrafts	5,151	2,057	–	–
Bank loans and commercial bills	24,434	26,978	–	4,000
Lease finance	611	861	20	27
Standby letters of credit	245	209	–	–
Indemnity/Guarantees	7,978	628	–	–
	38,419	30,733	20	4,027
<i>Facilities not used at balance date</i>				
Bank overdrafts	2,073	3,147	–	–
Bank loans and commercial bills	3,037	8,014	–	2,000
Lease finance	1,553	1,152	14	3
Standby letters of credit	413	1,807	–	–
Indemnity/Guarantees	4,461	3,969	–	–
	11,537	18,089	14	2,003

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 foreign currency sales.

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

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

Outstanding Contracts	Average Exchange Rate		Principal Amount	
	2000	1999	2000	1999
<i>Sell US Dollars</i>			us \$000	us \$000
Less than 3 months	0.5992	0.6659	2,301	887
3 to 6 months	–	0.5765	–	2,514
Longer than 6 months	–	–	–	–
	0.5992	0.5998	2,301	3,401
<i>Buy US Dollars ¹</i>			us \$000	us \$000
Less than 3 months	0.6124	0.6295	400	122
3 to 6 months	0.6389	0.6618	2,400	87
Longer than 6 months	0.5992	–	2,000	–
	0.6200	0.6429	4,800	209

¹In addition, a controlled entity has a USD 2 million foreign exchange collar between 0.57 and 0.6075 which matures on 31 October 2001.

(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.

2000	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	4.67	4,731	1,374	–	–	123	6,228
Trade receivables	–	–	–	–	–	34,999	34,999
	4.67	4,731	1,374	–	–	35,122	41,227
<i>Financial Liabilities</i>							
Bank overdraft	8.49	5,151	–	–	–	–	5,151
Trade payables	–	–	–	–	–	18,591	18,591
Bills of exchange	6.08	895	14,680	8,859	–	–	24,434
Finance lease and hire purchase liabilities	10.37	–	441	170	–	–	611
Deferred income	–	–	–	–	–	377	377
Dividend payable:							
– Ordinary	–	–	–	–	–	1,240	1,240
Income tax payable	–	–	–	–	–	2,171	2,171
Employee entitlements	–	–	–	–	–	4,778	4,778
	6.58	6,046	15,121	9,029	–	27,157	57,353
<hr/>							
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	10,598
Trade receivables	–	–	–	–	–	23,378	23,378
	4.23	8,792	1,033	–	–	24,151	33,976
<i>Financial Liabilities</i>							
Bank overdraft	7.40	2,057	–	–	–	–	2,057
Trade payables	–	–	–	–	–	18,744	18,744
Bills of exchange	5.35	11,428	6,004	9,546	–	–	26,978
Finance lease and hire purchase liabilities	9.29	–	363	411	88	–	862
Deferred income	–	–	–	–	–	434	434
Dividend payable:							
– Ordinary	–	–	–	–	–	1,238	1,238
Income tax payable	–	–	–	–	–	2,121	2,121
Employee entitlements	–	–	–	–	–	4,503	4,503
	5.60	13,485	6,367	9,957	88	27,040	56,937

29 FINANCIAL INSTRUMENTS (Cont.)

(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.

(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.

(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 18 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.

30 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.

DIRECTORS' DECLARATION

Directors' Declaration for the Year Ended 30 June 2000 – Lemarne Corporation Limited ABN 72 004 834 584 and Controlled Entities

The Directors declare that:

- (a) The accompanying financial statements and notes thereto of the Company and the Consolidated Entity comply with Accounting Standards.
- (b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the Consolidated Entity for the financial year ended 30 June 2000 and in the Directors' opinion are in accordance with the Corporations Law; and
- (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 30 day of August 2000

Signed in accordance with a resolution of the Directors

E B NOXON

Director

S L MASON

Director

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Members of Lemarne Corporation Limited ABN 72 004 834 584

Scope

We have audited the financial report of Lemarne Corporation Limited for the financial year ended 30 June 2000 as set out on pages 22 to 58. 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 issued in Australia 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 2000 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 30 day of August 2000.

STATUTORY DIRECTORS' REPORT

Statutory Directors' Report – Lemarne Corporation Limited ABN 72 004 834 584

The Directors have pleasure in presenting the Annual Financial Report of the Company and the economic entity for the year ended 30 June 2000, 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), FIE Aust, FAIM

Appointed Managing Director in 1979 and elected Chairman in 1987

Became non-executive Chairman in July 2000

Chairman of Lemvest Limited; Director of National Can Industries Ltd. Age 62.

Peter Geoffrey Davenport, MA, MIEE

Director since 1981

Director of Lemvest Limited

Previously electrical/electronics engineer and management consultant Age 62.

John Campbell Larking, MB ChB, MRCOG, FRACOG

Director since 1986

Director of Lemvest Limited

Age 61.

Graham Robert Capper, BSc(Hons), BEc

Director since 1996

Managing Director of Pacific Composites Pty Ltd

Age 50.

Stephen Leslie Mason, BComm, LLB, FCPA, FCIS

Director since 1997

Group Company Secretary

Age 48.

Stephen John Milner, BE, MBA

Appointed Managing Director 3 April 2000

Age 49

In accordance with the Company's Constitution Mr S J Milner who was appointed to the board during the year seeks election while Messrs P G Davenport, S L Mason and E B Noxon retire by rotation from the Board of Directors and being eligible, offer themselves 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	13	13
Mr P G Davenport	12	13
Mr J C Larking	12	13
Mr G R Capper	12	13
Mr S L Mason	13	13
Mr S J Milner (appointed 3/4/2000)	2	2

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 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 5 to 17.

5 Dividends

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

	2000 \$000	1999 \$000
(a) As proposed in last year's report, a final ordinary fully franked dividend of 7.5 cents per share (1999: 6.5 cents) amounting to \$1,240,236 (1999: \$1,072,921) in respect of the year ended 30 June 1999 was paid on 29 October 1999	2	–
(b) An interim ordinary fully franked dividend of 7.5 cents per share (1999 - 6.5 cents) was paid on 24 March 2000	1,240	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 (1999 - 7.5 cents)	1,240	1,238
Total dividends provided for or paid	2,482	2,311

6 State of Affairs

In the opinion of the Directors, 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, 2000 are referred to in the Chairman's and Managing Director's review of operations as set out on page 5 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	1,274,256	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:
	879,979	- Larking Family Trust
	292,326	- Larking Superannuation Fund
P G Davenport	271,000	Shareholder
	1,101,369	Shareholder
	50,000	Options
G R Capper	282,697	Shareholder
	100,000	Options
S L Mason	182,050	Shareholder
	100,000	Options
S J Milner	400,000	Beneficial interest in shares registered in the name of the shareholder as Trustee for Thurso Rental Property Unit A/c
	600,000	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> ¹ \$	<i>Retirement benefits</i> \$	<i>Total</i> \$
Director							
Mr E B Noxon	109,300	37,895	34,518	75,000	–	–	256,713
Mr G R Capper	135,321	43,257	35,145	13,532	–	–	227,255
Mr S J Milner	110,417	–	35,835	12,500	–	–	158,752
Mr S L Mason	98,080	15,320	20,911	12,000	–	–	146,311
Mr P G Davenport	40,000	–	–	35,000	–	–	75,000
Mr J C Larking	70,000	–	–	5,000	–	–	75,000
Officer							
<i>The Company</i> ²							
Nil							
Consolidated							
Mr M J Budworth	159,113	16,780	78,360 ³	11,137	–	–	265,390
Mr A G Badoux	179,815	31,745	10,270	9,800	–	–	231,630
Mr L M Weiner	160,000	8,280	39,610	11,200	–	–	219,090
Mr G Pearce	160,580	20,100	9,710	16,060	–	–	206,450
Mr D J Rainsbury	140,000	24,472	27,967	11,411	–	–	203,850

¹ 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 \$2.70. 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 2000 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.
S J Milner	600,000 at \$2.86 in Lemarne Corporation Limited.
G Pearce	75,000 at \$3.08 in Lemarne Corporation Limited.
M J Budworth	125,000 options in Richardson Pacific Limited.
D J Rainsbury	150,000 options in Richardson Pacific Limited.
A G Badoux	100,000 options in Lemtronics Sdn Bhd
L M Weiner	50,000 at \$4.40 and 25,000 at \$3.96 in Lemvest Limited.

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.

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

³ 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 10,000 to an employee of the Company at an exercise price of \$3.96. 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. On 28 January 2000 the Company granted a further 75,000 options at an exercise price of \$3.08 to an executive of the Pacific Composites Group while on 30 March 2000, 600,000 options at an exercise price of \$2.86 were granted to the General Manager of the Company.

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 calculate 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 30 day of August 2000.

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 ABN 72 004 834 584

1 Share Capital at 24 August, 2000

(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	166
1,001 – 5,000	357
5,001 – 10,000	83
10,001 – 100,000	136
100,001 and over	28
Total	770
(ii) Holding less than a marketable parcel	14

(b) Voting Rights (Article15)

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 24 August, 2000 by or on behalf of the twenty largest shareholders was 61.83%.

(d) Substantial Shareholders

The number of shares held by the substantial shareholders as at 24 August 2000 were:

N M Rothschild & Sons (Australia) Pty Ltd ACN 008 458 339, Level 15, No 1 O'Connell Street, Sydney NSW	1,812,834
Lindridge Pty Ltd 11 Lang Street, Beaumaris, VIC	1,274,256
Davenport Peter G 257 Edinburgh Road, Castlecrag, NSW	1,101,369
Larking, John <Larking Family Fund A/c> Apartment 1704, 469 St.Kilda Road, Melbourne, VIC	879,979

(e) Twenty Largest Shareholders as at 24 August, 2000.

	<i>Fully Paid</i>
Lindridge Pty Ltd.	1,274,256
Davenport, Peter G	1,101,369
Perpetual Trustees Nominees Ltd	893,820
Larking, John <Larking Family Fund A/c>	879,979
Noxon, Edward B	677,000
Diversified United Investments Ltd	600,000
Australian United Investment	583,800
Benefund Limited	500,000
Davenport, Prudence D G	440,000
Milner, Stephen J <Thurso Rental Property Unit A/c>	400,000
Moir, Graeme E	363,800
Invia Custodian Pty Limited <White A/C>	360,873
National Nominees Limited	335,517
Chase Manhattan Nominees Limited	303,559
Invia Custodian Pty Limited <Black Ac/>	293,217
Larking, John <Superannuation Fund A/c>	292,326
Capper, Graham R	282,697
Larking, John	271,000
Sandhurst Trustees Ltd <PC Growth Fund>	188,795
Mason, Stephen L	182,050
	10,224,058

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 ABN 004 834 584 and Controlled Entities

LEMARNE CORPORATION LIMITED

Board of Directors

E B Noxon, BSc (Eng), FIEAust, FAIM, (Chairman)
S J Milner, BE, MBA
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, Chairman
Steve Milner, Group Chief Executive
Graham Capper, Managing Director,
Pacific Composites Pty Ltd
Desmond Burke, Managing Director,
U R Machinery Pty Ltd
Alain Badoux, Managing Director,
Lemtronics Sdn Bhd
Martin Budworth, Managing Director,
Richardson Pacific Ltd
Darryl Rainsbury, Managing Director,
Screenex Australia Pty 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

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: mastewart@lemarne.com.au
Web site: www.lemarne.com.au

LEMVEST LIMITED

1st Floor
492 St Kilda Road
MELBOURNE VIC 3004
Telephone (03) 9820 2030
Facsimile (03) 9820 2038
Web site: www.lemvest.com.au

PACIFIC COMPOSITES PTY LTD

Melbourne

2 Brunsdon 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.co.uk

Pultrex Limited

Brunel Road
Clacton-on-Sea
ESSEX CO15 4LT
UNITED KINGDOM
Telephone (44) 1255 429 811
Facsimile (44) 1255 436 451
Email: sales@pultrex.com
Web site: www.pultrex.com

U R MACHINERY PTY LTD

9 Byrne Court
MILDURA VIC 3500
Telephone (03) 5023 0056
Facsimile (03) 5022 2153
Web site: www.urm.com.au

USA

U R Machinery Inc
377 W. Fallbrook, #103
FRESNO CA 93711 USA
Telephone (559) 440 9515
Facsimile (559) 440 9349

LEMTRONICS SDN BHD

Bayan Lepas Free Industrial Zone 2
11900 PENANG MALAYSIA
Telephone (604) 643 6605
Facsimile (604) 643 3485
Web site: www.lemtronics.com.my

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 3343
Email: mcox@com10.com.au
Web site: www.com10.com.au

BOARDFINISH LIMITED

13A Blundell Avenue,
Southport
LANCS. PR8 4TA
UNITED KINGDOM
Telephone (44) 1704 567 156
Facsimile (44) 1704 564 861

LEMARNE CORPORATION LIMITED

ABN 72 004 834 584

**LEVEL 1, 492 ST KILDA ROAD
MELBOURNE VICTORIA 3004
AUSTRALIA**

www.lemarne.com.au
(links to all subsidiaries appear
on the company's web site)