Atkins Carlyle

Annual Report 2001

In March 2001 we sold our Industrial Consumables division together with the Atkins Carlyle trading name and its associated trademarks.

We are therefore seeking shareholder approval at the forthcoming Annual General Meeting to adopt a new name, **Alesco** Corporation Limited.

Atkins Carlyle Ltd and its controlled entities

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Atkins Carlyle Ltd is responsible for the sound corporate governance of the Company. This statement outlines the main corporate governance policies of the Company that were in place throughout the year ended 31 May 2001, unless otherwise stated.

The Board of Directors and its Committees

The Board currently consists of five directors being the non-executive Chairman, three other non-executive directors and the Managing Director. On 1 September 2000, Mr S P Wareing was appointed a Director. On 17 October 2000, Mr G C Nathan retired as Chairman and Director and Mr S P Wareing was appointed Chairman. There were no other changes in the composition of the Board during the year. Details of the directors and their attendance at meetings are contained in the Directors' Report.

The Board is responsible for:

- determining the strategic direction of the Company;
- setting objectives for management in furtherance of that strategy;
- monitoring the performance and financial results of the Company against those objectives; and
- reporting to shareholders.

The following Committees, each consisting of the four non-executive directors, have been established by the Board to assist in the discharge of its obligations:

Audit Committee

The Audit Committee has been established to ensure that the statutory responsibilities relating to the accounting and financial reporting practices and internal control systems of the Company are met.

The external auditors, the internal auditors, the Managing Director and senior executives are, at the discretion of the Committee, invited to Audit Committee meetings to provide such information as it considers necessary to carry out its functions.

Responsibilities of the Audit Committee include:

- reviewing the Company's accounting policies and practices and any changes thereto;
- reviewing the Company's financial statements and monitoring compliance with statutory requirements and approved policies including the Company's half year and full year announcements of results to the Australian Stock Exchange;
- meeting with external auditors to consider the results of the annual audit and the half year review of the Company, to discuss any issues raised by the auditors and to review their recommendations;
- reviewing in consultation with management, the audit plan of the external auditors;
- reviewing the performance of the external auditors;
- reviewing responses by management to questionnaires in connection with the preparation of the half yearly and annual accounts;
- approving the internal audit charter and the appointment of the internal auditors; and
- reviewing the internal audit plan, the performance of the internal auditors and the results of the internal audits with particular emphasis on control processes and operational efficiency.

Human Resources Committee

Responsibilities of the Human Resources Committee are (to the extent that they are not dealt with directly by the Board):

- to ensure that the remuneration policies and practices of the Company are consistent with its strategic goals and human resources objectives;
- to consider and recommend, as appropriate, appointments to the Board and senior executive management;
- to review the performance of non-executive directors, the Managing Director and senior executive management;
- to review on an annual basis the Management Salary/Incentive Programme and the Senior Executive and Managing Director remuneration structure and levels, including share and option plan participation and performance related incentive programmes;
- to monitor the executive succession planning programme and ensure the implementation of executive development programmes are appropriate to the Company's needs;
- to recommend to the Board the levels of remuneration for non-executive directors within the maximum approved by shareholders and their retirement benefits in accordance with the Corporations Act 2001and the Constitution of the Company; and
- to review the superannuation arrangements and monitor annual performance of the superannuation funds.

Remuneration

- In determining remuneration levels, the Committee seeks to ensure that the best qualified and experienced directors and senior executives are attracted and retained. The Committee has regard to independent advice on current industry standards when reviewing remuneration policies.
- The Managing Director does not attend discussions relating to his own remuneration.

Nomination

- The Committee reviews the composition of the Board as required, to ensure that there is an appropriate mix of experience and expertise. The Committee adopts the following principles when conducting its reviews:
- The Chairman of the Board should be a non-executive director;
- The Board should consist of a majority of non-executive directors; and
- The Board should consist of persons with a broad range of experience and skills relevant to the needs of the Company.

Potential candidates are identified by the Committee using the services of external consultants where and when appropriate. The Board, as a whole, then appoints the most suitable candidate, who is required to stand for election at the next general meeting of shareholders.

Terms and conditions of directors' appointments are determined by the Committee, which can obtain necessary consulting advice when required.

The performance of directors is reviewed periodically by the Chairman, with a more extensive evaluation conducted by the Committee at the time a director becomes eligible for re-election.

Independent Advice

Each director has the right to seek independent professional advice at the expense of the Company, subject to prior advice to the Chairman. No director sought independent professional advice during the year.

Business Risks

Each year the directors undertake a formal review of the strategic direction of the Company in conjunction with senior executives. The outcome of the review and the decisions taken are then monitored on a regular basis as part of the monthly Board meetings.

Ethical Standards

The Board recognises the need for directors and employees to observe the highest standards of business ethics and behaviour. A Code of Conduct, which sets out ethical standards with which directors, officers and employees of the company are expected to comply in performing their respective functions, has been issued to all group personnel.

In terms of the Code, employees are not to accept benefits from a party which has a business connection with the Company. In September 2000, Messrs G C Nathan and K F Clarke accepted invitations and hospitality from business partners in relation to the Olympic Games in Sydney. These offers were referred to the Board. In approving these invitations directors were satisfied that there was no conflict of interest in either case but noted that it constituted a specified exception to the Code of Conduct.

The Board has adopted a policy on dealing in the Company's shares by directors and officers. Under the policy, directors and officers may not deal in the Company's shares at any time if such director or officer is in possession of price sensitive information or is trading for short term considerations. Subject to this, trading is permitted within certain periods following the announcements of the half yearly and annual results.

In summary and subject to the above, directors and officers may only deal in the Company's shares in terms of the policy which is monitored on a regular basis by the Board.

Atkins Carlyle Ltd and its controlled entities
for the year ended 31 May 2001

Directors' Report

The directors present their report, together with the financial report, of the consolidated entity being Atkins Carlyle Ltd ("the Company") and its controlled entities, for the year ended 31 May 2001 and the auditor's report thereon.

Particulars of the qualifications, experience and special responsibilities of each director are set out in the Concise Report.

The Directors of the Company at any time during or since the end of the financial year are:

Geoffrey Charles Nathan (retired 17 October 2000)
Sean Patrick Wareing (appointed 1 September 2000)
Kevin Franklin Clarke
David Derrick Scanlan
Donald Michael Watt
David James Young

Directors' Meetings
The number of directors' meetings and number of meetings (including meetings of committees of directors) attended by each of the directors of the Company during the financial year were:

	Directors		**Audit**		**Human Resources**	
Director	No. of Meetings attended	* No. of Meetings held	No. of Meetings attended	* No. of Meetings held	No. of Meetings attended	* No. of Meetings held
G.C. Nathan (retired 17 October 2000)	5	5	2	2	3	3
S.P. Wareing (appointed 1 September 2000)	12	12	3	3	3	3
K.F. Clarke	14	15	-	-	-	-
D.D. Scanlan	15	15	4	4	6	6
D.M. Watt	15	15	4	4	6	6
D J Young	15	15	4	4	6	6

* Represents the number of meetings held during the time the Director held office during the year.

Principal Activities

The principal activity of the consolidated entity during the course of the financial year was the marketing and distribution of specialty industrial brands to the building, industrial and automotive sectors. During the year the Company sold its Industrial Consumables division to J. Blackwood & Son Limited.

There were no other significant changes in the nature of the activities of the consolidated entity during the year.

Consolidated Results

The consolidated profit for the year attributable to the shareholders of Atkins Carlyle Ltd was:

	2001	2000
	$'000	$'000
Operating profit after income tax	**22,050**	9,020

Review of Operations and Likely Developments

The Chairman's Report and the Chief Executive's Report as set out in the Concise Report review the operations of the consolidated entity and give an indication of likely developments and the expected results of the operations. Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because the directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the consolidated entity.

Dividends

Dividends paid or declared by the Company since the end of the previous financial year were:

As declared and provided for in last year's report:

A final fully franked dividend (at 34% tax rate) of 15 cents per share, amounting to $5,054,000 in respect of the year ended 31 May 2000 was paid on 22 September 2000.

In respect of the current financial year:	$'000
An interim fully franked dividend (at 34% tax rate) of 9 cents per share in respect of the year ended 31 May 2001 was paid on 23 March 2001.	3,200
A final fully franked dividend (at 30% tax rate) of 15 cents per share was declared by the directors of the Company in respect of the year ended 31 May 2001	4,873
Total dividends provided for or paid in respect of the year ended 31 May 2001	8,073

State of Affairs

On 30 March 2001, the Company completed the sale of its Industrial Consumables division to J. Blackwood & Son Limited (a wholly owned subsidiary of Howard Smith Limited) for $49 million.

Events Subsequent to Balance Date

On 4 June 2001 that the Company announced an on market buy back of up to 3,369,320 ordinary shares. At the date of this report the total consideration of shares bought back on market was $5,878,000, being an average, including incidental costs, of $2.55 per share.

On 7 June 2001 the company's controlled entity, Parbury Building Products Pty Ltd (Parbury FHS) completed the sale of its Merchant Products division. An abnormal loss after tax of $763,000 has been recorded in the financial report for the year ended 31 May 2001.

Subsequent to year end an in principle agreement has been reached for the Company to purchase the 20% outside equity interest in Marathon Tyres Pty Limited.

Other than the matters discussed above 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

Environmental Regulation

The consolidated entity's activities are subject to general environmental regulations. In particular the consolidated entity is subject to specific environmental regulations under State legislation as follows:

- Marathon Tyres Pty Limited is registered with the NSW Tyre Recycling Council under the NSW Waste Minimisation and Management Act 1995.
- Marathon Tyres (WA) Pty Ltd is governed by the Tyre Dealer and Retail Industry Code of Practice and Environmental Protection Regulations (1987).

- Parbury Technologies Pty Limited is licensed in terms of various state environmental and related legislation covering environmental protection, dangerous goods and controlled substances.

In relation to the above and environmental issues generally, the directors are not aware of any breaches during the period covered by this report.

Directors' and Senior Executives Remuneration

The Human Resources Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure that 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.

Senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity (including operational results and cash flow). Options are also issued under the Executive Option Plan. 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:

	Base Emolument $	Bonus $	Non-cash Benefits $	Super Contributions $	Options Granted $	Retirement Benefits $	Total $
Director							
Mr G C Nathan(1)	39,040	-	-	3,037	-	87,624	129,701
Mr S P Wareing(2)	69,508	-	-	5,561	-	-	75,069
Mr K F Clarke	414,231	110,000	57,472	28,000	45,015	-	654,718
Mr D D Scanlan	44,500	-	-	3,404	-	-	47,904
Mr D M Watt	43,000	-	-	3,404	-	-	46,404
Mr D J Young	49,250	-	-	3,902	-	-	53,152
Officer							
The Company							
Mr L Eaton (3)	83,751	20,000	15,333	6,503	2,846	-	128,433
Mr A Harrison	233,134	47,500	6,036	11,448	9,488	-	307,606
Mr C Jones (3)	97,443	80,000	17,715	33,878	4,744	-	233,780
Mr A Wilson (4)	161,379	83,300	72,571	4,798	7,116	139,290	468,454
Mr A Young	127,659	11,000	3,413	8,304	3,558	-	153,934
Consolidated							
Mr N Freeland	166,131	27,000	28,848	11,846	7,116	-	240,941
Mr A Harrison	233,134	47,500	6,036	11,448	9,488	-	307,606
Mr C Jones (3)	97,443	80,000	17,715	33,878	4,744	-	233,780
Mr M Nesbitt	184,550	30,000	9,770	12,919	7,116	-	244,355
Mr A Wilson (4)	161,379	83,300	72,571	4,798	7,116	139,290	468,454

(1) Retired 17 October 2000

(2) Appointed 1 September 2000

(3) Resigned 30 March 2001

(4) Resigned 28 February 2001

Options

On 11 September 2000 the Company issued 393,000 options over 393,000 unissued ordinary shares in the Company to 33 employees under the terms of the Company's Executive Option Plan. These options are exercisable at a price of $2.91 per share during the period of 2 to 5 years from their date of issue and expire on the earlier of 10 September 2005 or the termination of the employee's employment.

Details of options granted during the year to the five most highly remunerated officers as part of their remuneration are as follows:

	Number of options granted	Exercise Price	Expiry Date
Company			
Mr L Eaton	12,000	$2.91	10 September 2005
Mr A Harrison	40,000	$2.91	10 September 2005
Mr C Jones	20,000	$2.91	10 September 2005
Mr A Wilson	30,000	$2.91	10 September 2005
Mr A Young	15,000	$2.91	10 September 2005
Consolidated			
Mr N Freeland	30,000	$2.91	10 September 2005
Mr A Harrison	40,000	$2.91	10 September 2005
Mr C Jones	20,000	$2.91	10 September 2005
Mr M Nesbitt	20,000	$2.91	10 September 2005
Mr A Wilson	30,000	$2.91	10 September 2005

All options were granted during the financial year. No options have been granted since the end of the financial year.

Options exercised during the year were as follows:

Date	Options Exercised	Exercise Price	Ordinary Shares Issued	Market value at exercise date
2000				
1 September	8,000	$3.00	8,000	$25,200

During the year 689,000 options expired due to the termination of employment of employees, 200,000 options issued to the Chief Executive Officer lapsed as the pre-condition to their exercise had not been met and 650,000 options expired.

At the date of this report 879,000 options over 879,000 unissued ordinary shares in the Company are on issue. These options are as follows:

	Number of Options	Expiry Date	Exercise Price
Executive Option Plan	23,000	24 August 2002	$4.58
Executive Option Plan	53,000	16 August 2003	$4.03
Executive Option Plan	97,000	30 August 2004	$3.97
Executive Option Plan	256,000	10 September 2005	$2.91
Chief Executive Officer	150,000	17 October 2004	$2.66
Chief Executive Officer	300,000	17 October 2005	$2.66

The names of the persons who currently hold options are entered in the register of options kept by the Company pursuant to section 170(1) of the Corporations Act 2001. The register may be inspected free of charge. No options have been issued to non-executive directors.

There are no unissued shares under option as at the date of this report other than those referred to above. Persons entitled to exercise the above options do not have any right, by virtue of the options, to participate in any share issue of any other body corporate.

Chief Executive Options

At the date of this report 450,000 options over 450,000 unissued ordinary shares in the Company are on issue to the Chief Executive Officer.

The options are exercisable in three equal tranches of 150,000 at an exercise price of $2.66 per share.

The first tranche of 150,000 options will become exercisable on 18 October 2002, the second tranche of 150,000 options will become exercisable on 18 October 2003, with the third tranche becoming exercisable on 18 October 2004.

The first tranche of these options will expire on 17 October 2004 and the second and third tranches will expire on 17 October 2005 or upon the earlier termination of the Chief Executive Officer's employment.

A pre-condition to the exercise of each tranche of the options is that the "cumulative value" of the Company's shares as determined for the purposes of the Small Industrial Companies Accumulation Index must have achieved at least the same percentage growth as the Index itself over the period from the date of issue of the options to the date that the relevant tranche of options becomes exercisable.

Executive Option Plan

At the date of this report 429,000 options over 429,000 unissued ordinary shares in the Company are on issue under the Company's executive option plan.

23,000 options are exercisable at a price of $4.58 per share between 25 August 1999 and 24 August 2002 and expire on the earlier of 24 August 2002 or the termination of the employee's employment.

53,000 options are exercisable at a price of $4.03 per share between 17 August 2000 and 16 August 2003 and expire on the earlier of 16 August 2003 or the termination of the employee's employment.

97,000 options are exercisable at a price of $3.97 per share between 31 August 2001 and 30 August 2004 and expire on the earlier of 30 August 2004 or the termination of the employee's employment.

256,000 options are exercisable at a price of $2.91 per share between 11 September 2002 and 10 September 2005 and expire on the earlier of 10 September 2005 or the termination of the employee's employment.

The market price of shares under the executive option plan at 31 May 2001 was $2.52 (2000 : $3.13).

Directors' Interests

The relevant interest of each director in the share capital of the Company as notified by the directors to the securities exchange in accordance with section 205G(1) of the Corporations Act 2001 at the date of this report is as follows:

	Ordinary Shares	Options
Sean Patrick Wareing	15,000	–
Kevin Franklin Clarke	830,150	450,000 *
David Derrick Scanlan	31,824	–
Donald Michael Watt	57,586	–
David James Young	26,530	–

*Comprises 450,000 options granted to Mr K. F. Clarke pursuant to shareholder approval at the 2000 Annual General Meeting.

Officers' Indemnities and Insurance

During the financial year, the Company has paid insurance premiums in respect of directors' and officers' liability insurance contracts effected on behalf of all directors, secretaries and officers of the Company and its controlled entities. The insurance is in respect of legal liability for damages and legal costs arising from claims made by reason of any omissions or acts (other than dishonesty) by them whilst acting in their individual or collective capacity as directors or officers of the Company and its controlled entities.

The contracts of insurance relating to the above prohibit the disclosure of the amount of the premiums paid.

The Company has entered into a Deed of Indemnity with each of its directors who held office during the year. The Deeds provide each director with an entitlement (after ceasing to act as a director) to access Board papers relating to their period as a director, and on-going indemnity and insurance up to a period of seven years after ceasing to act as a director.

A Declaration pursuant to subsection 232B(1) of the Corporations Act 2001 was granted by the then Australian Securities Commission for relief from subsections 232A(1) and (4) of the Act to enable the Deeds to be approved by directors.

Rounding Off

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 one thousand dollars, unless otherwise stated.

Signed in Sydney this 30th day of July 2001 in accordance with a resolution of the directors:

Sean Patrick Wareing
Chairman

Atkins Carlyle Ltd and its controlled entities
Profit and Loss Statements
For the year ended 31 May 2001

	Note	Consolidated 2001 $000	Consolidated 2000 $000	The Company 2001 $000	The Company 2000 $000
Revenue	3	**584,806**	510,572	**199,699**	254,945
Operating profit before interest expense, goodwill amortisation, abnormal items and income tax (PBITA)		**27,741**	26,462	**9,839**	19,198
Goodwill amortisation	4	**(3,544)**	(1,989)	**(193)**	(188)
Operating profit before interest expense, abnormal items and income tax (PBIT)		**24,197**	24,473	**9,646**	19,010
Interest expense		**(8,871)**	**(5,747)**	**(2,416)**	(2,851)
Operating profit before abnormal items and income tax		**15,326**	18,726	**7,230**	16,159
Abnormal items	6	**13,943**	71	**5,752**	71
Operating profit before income tax	4	**29,269**	18,797	**12,982**	16,230
Income tax attributable to operating profit	7	**(6,191)**	(8,324)	**(1,908)**	(1,282)
Operating profit after income tax		**23,078**	10,473	**11,074**	14,948
Outside equity interests in operating profit	22	**(1,028)**	(1,453)	**-**	-
Net profit attributable to members of the Company		**22,050**	9,020	**11,074**	14,948
Retained profits at the beginning of the financial year		**17,440**	16,048	**15,652**	8,332
Aggregate of amounts transferred from reserves	21	**-**	439	**-**	439
Total available for appropriation		**39,490**	25,507	**26,726**	23,719
Dividends provided for or paid					
an interim fully franked dividend (at 34% tax rate) of 9 cents per share (2000 : 9 cents) was paid in March 2001		**3,200**	3,013	**3,200**	3,013
a final fully franked dividend (at 30% tax rate) of 15 cents per share (2000 : 15 cents) has been declared by the directors		**4,873**	5,054	**4,873**	5,054
		8,073	8,067	**8,073**	8,067
Retained profits at the end of the financial year		**31,417**	17,440	**18,653**	15,652

The accompanying notes form part of these financial statements

Atkins Carlyle Ltd and its controlled entities
Balance Sheets
As at 31 May 2001

		Consolidated		The Company	
		2001	2000	**2001**	2000
	Note	**$000**	$000	**$000**	$000
Current Assets					
Cash		**1,779**	1,676	**148**	191
Receivables	8	**76,396**	110,153	**2,276**	39,026
Inventories	9	**93,403**	118,772	**2,465**	23,146
Other	10	**2,556**	2,793	**598**	-
Total current assets		**174,134**	233,394	**5,487**	62,363
Non-Current Assets					
Receivables	8	**-**	-	**74,526**	37,935
Investments	11	**2,261**	3,011	**96,550**	106,009
Property, plant and equipment	12	**30,693**	37,873	**5,802**	9,093
Intangibles	13	**57,965**	57,427	**1,198**	3,418
Other	14	**13,937**	9,893	**1,969**	3,105
Total non-current assets		**104,856**	108,204	**180,045**	159,560
Total assets		**278,990**	341,598	**185,532**	221,923
Current Liabilities					
Accounts payable	15	**69,020**	84,749	**1,197**	20,524
Borrowings	16	**24,202**	54,943	**21,500**	29,157
Provisions	18	**24,084**	21,510	**11,446**	8,538
Total current liabilities		**117,306**	161,202	**34,143**	58,219
Non-Current Liabilities					
Borrowings	16	**46,485**	81,926	**40,000**	65,000
Provisions	18	**2,275**	3,430	**208**	1,010
Other	19	**-**	-	**16,042**	10,823
Total non-current liabilities		**48,760**	85,356	**56,250**	76,833
Total liabilities		**166,066**	246,558	**90,393**	135,052
Net assets		**112,924**	95,040	**95,139**	86,871
Shareholders' Equity					
Share capital	20	**75,180**	69,628	**75,180**	69,628
Reserves	21	**1,003**	1,299	**1,306**	1,591
Retained profits		**31,417**	17,440	**18,653**	15,652
Shareholders' equity attributable to members of the Company		**107,600**	88,367	**95,139**	86,871
Outside equity interests in controlled entities	22	**5,324**	6,673	**-**	-
Total shareholders' equity		**112,924**	95,040	**95,139**	86,871

The accompanying notes form part of these financial statements

Atkins Carlyle Ltd and its controlled entities
Statements of Cash Flows
For the year ended 31 May 2001

	Note	Consolidated 2001 $000	Consolidated 2000 $000	The Company 2001 $000	The Company 2000 $000
Cash Flows from Operating Activities:					
Cash receipts in the course of operations		**584,263**	440,598	**145,067**	212,319
Cash payments in the course of operations		**(553,275)**	(415,479)	**(150,667)**	(198,274)
Income taxes (paid)/refunded		**(8,546)**	(3,590)	**(470)**	1,336
Dividends received		**28**	203	**1**	87
Interest received		**136**	143	**49**	52
Net cash provided by/(used in) operating activities	31(b)	**22,606**	21,875	**(6,020)**	15,520
Cash Flows from Investing Activities:					
Investment income		**164**	228	**-**	-
Rent received		**463**	284	**382**	227
Proceeds from sale of investments		**851**	249	**226**	249
Proceeds from sale of property, plant and equipment		**3,035**	4,775	**807**	4,335
Proceeds from sale of businesses		**62,724**	19,527	**61,079**	18,267
Payments for investments		**-**	(1,252)	**-**	(1,252)
Payments for property, plant and equipment		**(11,281)**	(6,194)	**(715)**	(1,022)
Loans to controlled entities		**-**	-	**(17,867)**	(4,010)
Loans to other entities		**-**	(3,319)	**-**	-
Loans from controlled entities		**-**	-	**5,219**	192
Payments for intangible assets		**(936)**	(2,677)	**(214)**	-
Payments for assets on acquisition of businesses		**(792)**	(2,628)	**(792)**	(2,628)
Payments for controlled entities	31(d)	**-**	(72,678)	**-**	(73,723)
Payment for acquisition of outside equity interests		**(384)**	(633)	**-**	-
Net cash provided by / (used in) investing activities		**53,844**	(64,318)	**48,125**	(59,365)
Cash Flows from Financing Activities:					
Interest paid		**(9,007)**	(5,890)	**(6,791)**	(4,398)
Proceeds from issue of shares		**4,134**	213	**4,134**	213
Dividends paid		**(7,696)**	(9,221)	**(6,834)**	(8,879)
Repayment of borrowings		**(62,010)**	(13,471)	**(31,500)**	-
Proceeds from borrowings		**-**	68,456	**-**	55,000
Net cash provided by/(used in) financing activities		**(74,579)**	40,087	**(40,991)**	41,936
Net increase/(decrease) in cash held		**1,871**	(2,356)	**1,114**	(1,909)
Cash at the beginning of the financial year		**(789)**	1,263	**(966)**	943
Cash balances in controlled entities acquired		**-**	304	**-**	-
Cash at the end of the financial year	31(a)	**1,082**	(789)	**148**	(966)

The accompanying notes form part of these financial statements

1. Statement of Significant Accounting Policies

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

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 Act 2001. It has been prepared on the basis of historical costs and does not take into account changing money values nor, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied by the entities in the consolidated entity and except where there is a change in accounting policy are consistent with those of the previous year. Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) Principles of consolidation

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

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances and effects of transactions between controlled entities included in the consolidated financial statements have been eliminated.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

(c) 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 consolidated entity. Sales revenue is recognised when the control of goods passes to the customer.

Interest Income

Interest income is recognised as it accrues.

Asset sales

The gross proceeds of asset sales not originally purchased for the intention of resale are included as revenue at the date an unconditional contract of sale is signed.

Other revenue

Revenue recognition policies for investments are described in Note 1(e).

(d) Taxation

Income tax

The consolidated 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 tax losses are only brought to account when the realisation is virtually certain.

Capital gains tax

Capital gains tax is provided in the profit and loss statement in the period in which an asset is sold. The tax effect of capital losses is not recorded unless realisation is virtually certain.

1. Statement of Significant Accounting Policies (continued)

(e) Investments

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends are brought to account in the profit and loss statement when they are declared by the controlled entities.

Associates

An associate is an entity, other than a partnership, over which the consolidated entity exercises significant influence and where the investment in that entity has not been acquired with a view to disposal in the near future.

In the Company's financial statements investments in associates are carried at the lower of cost and recoverable amount. Income from interim dividends is brought to account in the profit and loss statement as dividends are received. Income from final dividends is brought to account as revenue at the time the dividends have been declared by the associate in a general meeting.

In the consolidated financial statements investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's share of the associates' net profit or loss after tax is recognised in the consolidated profit and loss statement after adjustments for revisions in depreciation of depreciable assets and amortisation of goodwill arising from notional adjustments made as at the date of acquisition; dissimilar accounting policies; and the elimination of unrealised profits and losses on both upstream and downstream transactions between the associate and any entities in the consolidated entity or another associate of the consolidated entity. Other movements in reserves are recognised directly in consolidated reserves.

Other investments

Investments, other than controlled entities or associates, are carried at the lower of cost or recoverable amount. Dividends and other investment income are brought to account upon receipt.

(f) Trade debtors

Trade debtors to be settled within 60 days are carried at amounts due. The collectibility of debts is assessed at year end and provision is made for specific doubtful accounts. In addition, a general provision for debtors outstanding is maintained.

(g) Inventories

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

Wholesale and Retail activities

Cost in respect of wholesale and retail merchandise is based on the average cost principle.

Manufacturing activities

Cost is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of both variable and fixed costs. Fixed costs have been allocated on the basis of normal operating capacity. Costs arising from exceptional wastage are expensed as incurred.

Net realisable value

Net realisable value is determined on the basis of each entity's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value. Adequate allowance is made for obsolete, damaged and slow moving inventories.

1. Statement of Significant Accounting Policies (continued)

(h) Property, plant and equipment

Acquisition
Items of property, plant and equipment are capitalised at historical cost or revalued amounts (where applicable) and depreciated as outlined below.

Revaluations
Land and buildings are valued by the directors on an existing use basis every three years and where considered appropriate by the directors, included in the financial statements at the revalued amounts. This is in addition to the annual review for recoverable amounts referred to in Note 1(p).

Land and buildings were valued by the directors at 31 May 2001 on the basis of open market value of the properties concerned and their existing use. The valuations were based on independent valuations and no adjustment has been made to the book values for the surplus. Details are disclosed in Note 12.

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

All other items of property, plant and equipment are carried at the lower of cost, less accumulated depreciation, and recoverable amount.

Disposal of revalued assets
The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the result of the consolidated entity in the year of disposal. Any related revaluation increment standing in the asset revaluation reserve at the time of disposal is transferred to retained profits.

Depreciation of property, plant and equipment
Items of property, plant and equipment, excluding freehold land, are depreciated or amortised over their estimated useful lives. Depreciation is calculated on the straight line method from the date of acquisition.

The depreciation rates used for each class of asset for the current and previous year are as follows:

Buildings	2½ %
Motor Vehicles	15% to 25%
Plant and Equipment.	13% to 33%
Leased Plant and equipment	13% to 33%

Surplus leased premises
Provision is made for surplus leased premises when it is determined that no substantive future benefit will be obtained by the consolidated entity from its occupancy. This arises where premises are currently leased under non-cancellable operating leases and the entity either:

- currently does not occupy the premises and does not expect to occupy it in the future
- sublets the premises for lower rentals than it is presently obliged to pay under the original lease, or
- currently occupies the premises, but has been assessed to be of no substantive benefit beyond a known future date.

(i) Leased Plant and Equipment

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance Leases
Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the profit and loss statement. Also refer Notes 16 and 24.

1. Statement of Significant Accounting Policies (continued)

(i) Leased Plant and Equipment (continued)

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(j) Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity. Trade accounts payable are normally settled between 30 days and 120 days.

(k) Provision for Reorganisation

The full costs of relocation, change or closure of any places of business of the consolidated entity are brought to account in the period in which the decision is made, including provision for surplus leased premises when it is determined that no substantial future benefit will be obtained by the consolidated entity from their occupancy.

(l) Bank loans

Bank loans are carried on the balance sheet at their principal amount. Interest expense is accrued at the contract rate and included in "other creditors and accruals".

(m) Goodwill

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 business or controlled entity, is amortised on a straight line basis over 20 years being the period of time during which benefits are expected to arise.

In establishing the fair value of the identifiable net assets acquired, a liability for restructuring costs is only recognised at the date of acquisition when there is a demonstrable commitment and a detailed plan. The liability is only recognised where there is little or no discretion to avoid payments to other parties in settlement of costs of the restructuring and a reliable estimate of the amount of the liability as at the date of acquisition can be made.

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.

(n) Employee entitlements

Wages, salaries, annual leave and sick leave

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

Long service leave

The provision 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.

Provision for employee entitlements which are not expected to be settled within twelve months is 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 provision for employee entitlements, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures. Related on-costs have also been included in the provision.

1. Statement of Significant Accounting Policies (continued)

(n) Employee entitlements (continued)

Superannuation funds

The consolidated entity contributes to complying superannuation funds in respect of employees. Such group contributions are charged against income as they are made (refer also note 23).

(o) Segment results

The consolidated entity operates predominantly within one industry segment, being marketing and distribution, and predominantly within one geographical location, being Australia, and therefore segment results are not reported.

(p) Non-current assets

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

(q) Derivative financial instruments

The consolidated entity is exposed to fluctuations in exchange rates from its purchase commitments denominated in foreign currencies and to changes in interest rates. The consolidated entity uses the following derivative financial instruments to hedge these risks: interest rate swaps and forward foreign exchange contracts. Derivative financial instruments are not held for speculative purposes.

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.

At balance date the consolidated entity does not have a significant exposure to any individual counter-party. All contracts are with major Australian financial institutions.

Interest rate swaps

Interest payments and receipts under interest rate swap contracts are recognised on an accruals basis in the profit and loss statement as an adjustment to interest expense during the period.

Forward foreign exchange contracts

Where hedge transactions are designed to hedge the purchase of goods, exchange differences arising up to the date of purchase, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the purchase. Any exchange differences on the hedge transaction after that date are included in the profit and loss statement.

(r) Dividend reinvestment reserve

The dividend reinvestment reserve represents the portion of the dividend declared which the Company anticipates will be reinvested in the Company pursuant to the dividend reinvestment plan. The provision for the dividend represents the balance of the dividend which the Company expects to pay in cash.

(s) 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)

1. Statement of Significant Accounting Policies (continued)

(s) Foreign Currency (continued)

Translation of controlled foreign entities.
The balance sheets of overseas controlled entities that are self-sustaining foreign operations are translated at the rates 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 taken 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.

(t) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finances charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

(u) 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.

		Consolidated	
2.	**Earnings Per Share**	**2001**	2000
	Net profit attributable to members of the Company	**$22,050,000**	$9,020,000
	Weighted average number of ordinary shares used in the calculation of basic earnings per share	**35,035,531**	33,370,753
	Basic earnings per share	**62.94¢**	27.03¢

Diluted earnings per share is not materially different from basic earnings per share.

		Consolidated		The Company	
		2001	2000	**2001**	2000
		$000	$000	**$000**	$000
3.	**Revenue**				
	Revenue from Operating Activities				
	Sale of goods	**528,522**	484,107	**130,099**	213,305
	Dividends received from:				
	Related Parties	**-**	-	**2,411**	13,902
	Other Parties	**28**	203	**1**	87
	Interest received from:				
	Related Parties	**-**	-	**4,326**	1,521
	Other Parties	**136**	143	**49**	52
	Other investment income received from:				
	Other Parties	**164**	228	**-**	-
	Rent received from:				
	Related Parties	**-**	-	**70**	101
	Other Parties	**463**	284	**382**	227
	Management fees received from:				
	Related Parties	**-**	-	**5,000**	-
	Sundry revenue received from:				
	Related Parties	**-**	-	**2,391**	2,817
	Other Parties	**330**	1,056	**-**	82
	Share of associates net profit	**221**	-	**-**	-
	Revenue from outside operating activities:				
	Gross proceeds on sale of property, plant and equipment	**3,035**	4,775	**807**	4,335
	Gross proceeds on sale of investments	**851**	249	**226**	249
	Gross proceeds on sale of business assets	**51,056**	19,527	**53,937**	18,267
	Total revenue	**584,806**	510,572	**199,699**	254,945

4. Operating Profit

	Consolidated		The Company	
	2001 $000	2000 $000	**2001 $000**	2000 $000
Operating profit before income tax and abnormal items has been arrived at after charging/(crediting) the following items:				
Share of Associates net loss	**-**	431	**-**	-
Borrowing Costs:				
Related parties	**-**	-	**-**	26
Other parties				
Borrowings	**8,637**	5,745	**6,791**	4,394
Finance charges on capitalised leases	**370**	145	**-**	4
	9,007	5,890	**6,791**	4,424
Depreciation of :				
Buildings	**330**	207	**78**	162
Motor vehicles	**1,493**	1,430	**126**	278
Plant and equipment	**6,829**	4,864	**1,154**	2,191
	8,652	6,501	**1,358**	2,631
Amortisation of:				
Goodwill	**3,544**	1,989	**193**	188
Other intangibles	**-**	29	**-**	-
Leased plant and equipment	**1,350**	618	**-**	15
	4,894	2,636	**193**	203
Net expense from movements in provision for:				
Bad and doubtful debts	**1,500**	1,373	**537**	282
Stock obsolescence	**1,674**	1,075	**752**	576
Employee entitlements	**3,711**	1,250	**413**	620
Reorganisation	**1,206**	520	**1,258**	370
Diminution in value of investments	**390**	-	**210**	-
Other	**727**	120	**500**	-
Lease rental expense - operating leases	**13,068**	8,826	**3,410**	4,412
Net foreign exchange loss/(gain)	**101**	-	**(54)**	-
Sales of non-current assets:				
Profit on sales of property, plant and equipment	**683**	95	**405**	40
Profit on sale of investments	**180**	249	**226**	249
Profit on sale of business assets	**321**	95	**-**	-

5. Auditors' Remuneration

	$	$	**$**	$
Audit services:				
Auditors of the Company - KPMG	**245,000**	247,263	**76,000**	129,000
Other KPMG member firms	**16,082**	-	**-**	-
Other auditors	**-**	68,000	**-**	-
	261,082	315,263	**76,000**	129,000
Other services:				
Auditors of the Company - KPMG	**139,210**	125,903	**96,000**	43,099
Other auditors	**-**	850	**-**	-
	139,210	126,753	**96,000**	43,099

6. Abnormal Items

	Consolidated		The Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
Gain on sale of Industrial Consumables business	**16,521**	-	**16,521**	-
Income tax effect	**-**	-	**-**	-
	16,521	-	**16,521**	-
Losses associated with the disposal of the Merchant Products business	**(1,156)**	-	**-**	-
Income tax effect	**393**	-	**-**	-
	(763)	-	**-**	-
Goodwill written off and provisions associated with the investment in the CarParts joint venture	**(1,422)**	-	**(1,422)**	-
Income tax effect	**-**	-	**-**	-
	(1,422)	-	**(1,422)**	-
Loss on sale of a controlled entity	**-**	-	**(9,347)**	-
Income tax effect	**-**	-	**-**	-
	-	-	**(9,347)**	**-**
Profit on sale of land and buildings	**-**	1,025	**-**	1,025
Income tax effect	**-**	-	**-**	-
	-	1,025	**-**	1,025
Goodwill written off	**-**	(954)	**-**	(954)
Income tax effect	**-**	-	**-**	-
	-	(954)	**-**	(954)
Aggregate abnormal items before income tax	**13,943**	71	**5,752**	71
Aggregate income tax effect	**393**	-	**-**	-
Aggregate abnormal items after income tax	**14,336**	71	**5,752**	71

The above abnormal items are included in operating profit before income tax.

	Consolidated		The Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
7. Taxation				
Income tax expense				
Prima facie income tax expense calculated at 34% (2000 : 36%) on the operating profit	**9,951**	6,767	**4,414**	5,843
Increase in income tax expense due to non tax deductible items:				
Depreciation of buildings	**91**	30	**27**	17
Amortisation of goodwill	**1,205**	715	**66**	68
Goodwill written off	**273**	344	**273**	344
Capital items	**366**	-	**282**	-
Share of associates net (profit)/loss	**(75)**	155	**-**	-
Sundry items	**150**	163	**47**	(15)
	11,961	8,174	**5,109**	6,257
Decrease in income tax expense due to:				
Rebate on dividend and other investment income	**69**	177	**820**	5,036
Non-assessable income	**-**	101	**-**	90
Non-assessable capital gains	**5,707**	-	**2,440**	-
Recoupment of capital losses of prior years not previously brought to account	**-**	403	**-**	369
Sundry items	**175**	43	**-**	-
	5,951	724	**3,260**	5,495
Income tax expense on operating profit before restatement of deferred tax balances	**6,010**	7,450	**1,849**	762
Restatement of deferred tax balances due to change in company tax rate	**176**	870	**40**	522
Income tax under/(over) provided in prior year	**5**	4	**19**	(2)
Total income tax expense	**6,191**	8,324	**1,908**	1,282
Total income tax expense is made up of:				
Current income tax provision	**6,727**	6,728	**1,764**	187
Future income tax benefit	**(43)**	713	**274**	1,205
Deferred income tax provision	**(498)**	879	**(149)**	(108)
Under/(over) provision in prior year	**5**	4	**19**	(2)
	6,191	8,324	**1,908**	1,282

Dividend franking account

The balance of the franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements, and after deducting franking credits to be used in payment of the final dividend.

Class C (30% (2000:34%)) franking credits	**32,142**	28,983	**11,231**	13,504

The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.

The extent to which dividends paid or provided for during the year have been franked is contained on page 5.

		Note	Consolidated 2001 $000	Consolidated 2000 $000	The Company 2001 $000	The Company 2000 $000
8.	**Receivables**					
	Current					
	Trade debtors		**75,061**	99,565	**1,887**	27,655
	Provision for doubtful debts		**(2,629)**	(2,434)	**(35)**	(317)
			72,432	97,131	**1,852**	27,338
	Other debtors		**3,964**	13,022	**424**	11,688
			76,396	110,153	**2,276**	39,026
	Non-Current					
	Loans to controlled entities	30	**-**	-	**74,526**	37,935
9.	**Inventories**					
	Finished goods at cost		**90,222**	115,961	**2,527**	26,182
	Raw materials - at cost		**6,517**	7,751	**-**	-
	Work in progress - at cost		**984**	3,402	**-**	23
			97,723	127,114	**2,527**	26,205
	Provision for obsolescence –Finished goods at cost		**(4,320)**	(8,342)	**(62)**	(3,059)
			93,403	118,772	**2,465**	23,146
10.	**Other Current Assets**					
	Prepayments		**2,556**	2,793	**598**	-
11.	**Investments**					
	Non-Current					
	Shares in controlled entities					
	Unlisted at cost		**-**	-	**95,624**	104,757
	Associates					
	Equity Accounted	27	**1,042**	821	**-**	-
	Unlisted shares at cost		**-**	-	**1,256**	1,252
	Provision for diminution		**(116)**	-	**(330)**	-
			926	821	**926**	1,252
	Shares in other corporations					
	Unlisted at cost		**171**	168	**-**	-
	Provision for diminution		**(16)**	-		-
			155	168	**-**	-
	Listed at directors' valuation 1998		**-**	842	**-**	-
	Unlisted units at cost		**1,180**	1,180	**-**	-
			2,261	3,011	**96,550**	106,009

	Consolidated		The Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
12. Property, Plant and Equipment				
Freehold land and buildings:				
At cost	**6,710**	5,920	**921**	921
Accumulated depreciation	**(1,038)**	(684)	**(102)**	(81)
	5,672	5,236	**819**	840
At directors' valuation 1993	**4,782**	5,196	**4,782**	5,085
Accumulated depreciation	**(440)**	(394)	**(440)**	(394)
	4,342	4,802	**4,342**	4,691
Leasehold improvements at cost	**718**	240	**-**	-
Accumulated amortisation	**(314)**	(156)	**-**	-
	404	84	**-**	-
Total freehold land and buildings	**10,418**	10,122	**5,161**	5,531
Motor vehicles:				
At cost	**6,983**	8,845	**136**	1,266
Accumulated depreciation	**(3,199)**	(3,643)	**(34)**	(901)
	3,784	5,202	**102**	365
Plant and equipment:				
At cost	**41,197**	53,149	**1,267**	15,880
Accumulated depreciation	**(27,425)**	(37,240)	**(728)**	(12,683)
	13,772	15,909	**539**	3,197
Leased plant and equipment:				
At cost	**5,058**	9,559	**-**	-
Accumulated amortisation	**(2,339)**	(2,919)	**-**	-
	2,719	6,640	**-**	-
Total property, plant and equipment	**30,693**	37,873	**5,802**	9,093

The directors' valuation was carried out as at 31 May 1993 on the basis of the open market value of the properties concerned in their existing use.

As disclosed in Note 1 (h) land and buildings were valued by the directors as at 31 May 2001 based on independent valuations. The valuations, carried out in accordance with a regular program of valuations conducted on at least a three year basis, disclosed a surplus over book value of $3.7 million as at 31 May 2001.

In revaluing land and buildings, the directors have not taken into account the potential impact of capital gains tax on the grounds that capital gains arising on the sale of such an asset will be offset by available capital losses or they are an integral part of the consolidated entity's operations and there is no intention to sell the assets.

	Note	Consolidated 2001 $000	Consolidated 2000 $000	The Company 2001 $000	The Company 2000 $000
13. Intangibles					
Goodwill:					
At cost		**66,757**	63,213	**1,284**	3,786
Accumulated amortisation		**(8,792)**	(5,786)	**(86)**	(368)
		57,965	57,427	**1,198**	3,418
Other:					
At cost		**-**	83	**-**	-
Accumulated amortisation		**-**	(83)	**-**	-
		-	-	**-**	-
		57,965	57,427	**1,198**	3,418
14. Other Non-Current Assets					
Future income tax benefit		**13,897**	9,843	**1,969**	3,105
Other non-current assets		**40**	50	**-**	-
		13,937	9,893	**1,969**	3,105
15. Accounts Payable					
Trade creditors		**60,242**	79,913	**332**	19,214
Other creditors and accruals		**8,778**	4,836	**865**	1,310
		69,020	84,749	**1,197**	20,524
16. Borrowings					
Current					
Bank overdraft - secured	17	**-**	560	**-**	-
Bank overdraft - unsecured	17	**697**	1,905	**-**	1,157
Loans - secured	17	**820**	20,709	**-**	-
Loans - unsecured	17	**21,500**	29,500	**21,500**	28,000
Lease liabilities	24	**1,185**	2,269	**-**	-
		24,202	54,943	**21,500**	29,157
Non-Current					
Loans - secured	17	**-**	12,508	**-**	-
Loans - unsecured	17	**45,000**	65,000	**40,000**	65,000
Lease liabilities	24	**1,485**	4,418	**-**	-
		46,485	81,926	**40,000**	65,000

	Consolidated		The Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
17. Financing Arrangements				
The consolidated entity has access to the following lines of credit:				
Bank overdraft	**8,630**	11,544	**3,000**	2,000
Loans	**107,525**	159,629	**99,000**	119,900
Standby letters of credit	**16,602**	2,850	**11,500**	1,350
	132,757	174,023	**113,500**	123,250
Facilities utilised at balance date:				
Bank overdraft	**697**	2,465	**-**	1,157
Loans	**67,320**	127,717	**61,500**	93,000
Standby letters of credit	**4,423**	1,275	**-**	-
	72,440	131,457	**61,500**	94,157
Facilities not utilised at balance date:				
Bank overdraft	**7,933**	9,079	**3,000**	843
Loans	**40,205**	31,912	**37,500**	26,900
Standby letters of credit	**12,179**	1,575	**11,500**	1,350
	60,317	42,566	**52,000**	29,093

Bank overdraft
The bank overdrafts of the Company and its controlled entities are repayable on demand and are subject to annual review. Interest is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 31 May 2001 was 8.75% (2000 : 8.99%)

Loans
- Floating rate loans of $65,820,000 have been drawn down in respect of multi option facilities made available by the consolidated entity's bankers.
- Floating rate loan of $1,500,000 has been drawn down in respect of uncommitted money market facilities provided by the Company's bankers.
- The weighted average interest rate for all loans at 31 May 2001 is 5.96% (2000 : 6.56%). The impact of interest rate swaps is detailed in note 28.

Standby letter of credit
The standby letter of credit facility is a committed facility and is subject to annual review. Interest is payable at the bank bill rate plus the company's credit margin.

Security
The facilities provided to the Company by its principal bankers are unsecured but subject to certain financial covenants. Facilities provided to a controlled entity are secured by a debenture over the assets of the controlled entity.

		Note	Consolidated 2001 $000	Consolidated 2000 $000	The Company 2001 $000	The Company 2000 $000
18.	**Provisions**					
	Current					
	Dividends		**3,898**	3,791	**3,898**	3,791
	Income tax		**2,301**	4,222	**1,552**	153
	Employee entitlements	23	**7,720**	9,798	**1,550**	3,418
	Reorganisation		**3,742**	2,761	**786**	1,150
	Other		**6,423**	938	**3,660**	26
			24,084	21,510	**11,446**	8,538

The provision for reorganisation includes a restructuring provision of $2,888,000 (2000 : $1,366,000) relating to the Parbury Limited acquisition. The increase in the provision relates to additional costs associated with the integration of Parbury Building Products Pty Limited and Furniture Hardware Supplies Pty Limited and the disposal of certain businesses. The restructuring is expected to be completed by November 2001.

		Note	Consolidated 2001 $000	Consolidated 2000 $000	The Company 2001 $000	The Company 2000 $000
	Non-Current					
	Employee entitlements	23	**1,155**	1,812	**126**	779
	Deferred income tax		**1,120**	1,618	**82**	231
			2,275	3,430	**208**	1,010
19.	**Other Non-Current Liabilities**					
	Other loans - controlled entities	30	**-**	-	**16,042**	10,823
20.	**Share Capital**					
	Issued and Paid Up Capital					
	35,855,173 (2000 : 33,693,206) ordinary shares fully paid		**75,180**	69,628	**75,180**	69,628
	Movements in ordinary share capital					
	Balance at the beginning of the financial year		**69,628**	65,753	**69,628**	65,753
	Shares issued during the year		**5,719**	3,875	**5,719**	3,875
	Costs incurred in issuing shares		**(167)**	-	**(167)**	-
	Balance at the end of the financial year		**75,180**	69,628	**75,180**	69,628

Shares issued during the year

Fully paid ordinary shares were issued in accordance with the terms of the Company's dividend reinvestment plan as follows:

Date	**Shares Issued**	**Amount paid on each share**
22 September 2000	286,567	$2.7128
23 March 2001	290,512	$2.2067

20. Share Capital (continued)

Fully paid ordinary shares were issued as part of the prior year final dividend being fully underwritten as follows:

Date	Shares Issued	Amount paid on each share
22 September 2000	1,576,888	$2.7128

Options exercised during the year were as follows:

Date	Options Exercised	Exercise Price	Ordinary Shares Issued
2000			
1 September	8,000	$3.00	8,000

	Consolidated		The Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
21. Reserves				
Capital				
Asset revaluation	**266**	266	**331**	331
Foreign currency translation	**(238)**	(227)	**-**	-
Dividend reinvestment	**975**	1,260	**975**	1,260
	1,003	1,299	**1,306**	1,591
Movements during the year				
Asset Revaluation				
Balance at the beginning of the financial year	**266**	705	**331**	770
Revaluation increment realised on sale of property	**-**	(439)	**-**	(439)
Balance at the end of the financial year	**266**	266	**331**	331
Foreign currency translation				
Balance at the beginning of the financial year	**(227)**	(137)	**-**	-
Translation adjustment on controlled foreign entity's financial statements	**(11)**	(90)	**-**	-
Balance at the end of the financial year	**(238)**	(227)	**-**	-
Dividend reinvestment				
Balance at the beginning of the financial year	**1,260**	2,800	**1,260**	2,800
Settlement of dividend	**(1,260)**	(2,800)	**(1,260)**	(2,800)
Anticipated take up of shares in respect of the dividend reinvestment plan	**975**	1,260	**975**	1,260
Balance at the end of the financial year	**975**	1,260	**975**	1,260

22. Outside Equity Interests

	Consolidated 2001 $'000	Consolidated 2000 $'000
Outside equity interests in controlled entities comprise:		
Interest in retained profits at the beginning of the financial year	**2,275**	1,192
Interest in operating profit after income tax	**1,028**	1,453
Interest in dividends provided for or paid	**(857)**	(341)
Acquisition of interests in retained profits of controlled entities	**(1,208)**	(29)
Interest in retained profits at the end of the financial year	**1,238**	2,275
Interest in share capital	**4,086**	4,398
	5,324	6,673

23. Employee Entitlements

	Note	Consolidated 2001 $000	Consolidated 2000 $000	The Company 2001 $000	The Company 2000 $000
Aggregate employee entitlements including on-costs					
Current	18	**7,720**	9,798	**1,550**	3,418
Non-current	18	**1,155**	1,812	**126**	779
		8,875	11,610	**1,676**	4,197

Superannuation funds

The Company and certain controlled entities contributed to two defined benefit employee superannuation funds, to which employees also contribute. Employer contributions are based on the advice of the funds' actuaries. Employee contributions are based on various percentages of their gross salaries. Employees who become members of a fund are entitled to benefits on retirement, disability or death. Contributions in excess of those specified in SIS Legislation are not legally enforceable.

The following funds were in existence during the year:

Fund	Benefit type
A-C Group Superannuation Fund	Defined benefit and accumulation lump sum
Scruttons Superannuation Fund	Defined benefit and accumulation lump sum

Effective 1 July 1999 the Scruttons Superannuation Fund was transferred into the A-C Group Superannuation Fund as a successor fund.

23. Employee entitlements (continued)

The accrued benefits, fund assets at net market value and vested benefits of the defined benefit funds are as follows:

		A-C Group Superannuation Fund		Scruttons Superannuation Fund	
		2001	2000	**2001**	2000
		$000	$000	**$000**	$000
(i)	Fund assets at net market value	**7,121**	7,217	**1,324**	1,439
(ii)	Accrued benefits	**3,781**	3,703	**835**	969
	Excess fund assets over accrued benefits	**3,340**	3,514	**489**	470
(i)	Vested benefits	**3,679**	3,661	**832**	841

(i) Fund assets at net market value and vested benefits have been calculated as at 30 June 2000. (2000 : 30 June 1999) being the date of the most recent financial statements of the funds.

(ii) Accrued benefits have been obtained from the most recent actuarial reviews of the funds, which have been prepared as at 30 June 2000 (2000 : 30 June 1999).

Accrued benefits are benefits, which the funds are presently obliged to pay at some future date, as a result of membership of the fund.

Vested benefits are benefits, which are not conditional upon the continued membership of the fund or any factor, other than resignation from the fund.

The directors, based on the advice of the trustees of the plans, are not aware of any changes in circumstances since the date of the most recent financial statements of the plans which would have a material impact on the overall financial position of the plans.

The Company has made contributions to the above funds during the year of $Nil (2000 : $258,000).

Executive Share Option Plan

On 11 September 2000, the Company issued 393,000 options over 393,000 unissued ordinary shares in the Company to 33 employees under the terms of the Company's Executive Option Plan. These options are exercisable at a price of $2.91 per share during the period of 2 to 5 years from their date of issue and expire on the earlier of 10 September 2005 or the termination of the employee's employment.

8,000 ordinary shares have been issued under this plan during the financial year. The market value at the date of issue of the 8,000 shares was $25,200 and the total amount received from employees was $24,000.

Unissued ordinary shares of the Company under option are:

	Number of Options	Expiry Date	Exercise Price
Executive option plan	20,000	27 June 2001	$3.20
Executive option plan	31,000	24 August 2002	$4.58
Executive option plan	63,000	16 August 2003	$4.03
Executive option plan	107,000	30 August 2004	$3.97
Executive option plan	256,000	10 September 2005	$2.91
Chief Executive Officer	150,000	17 October 2004	$2.66
Chief Executive Officer	300,000	17 October 2005	$2.66

All options expire on the earlier of their expiry date or termination of the employees employment. In addition, a pre condition to the exercise of the chief executive's options is that the "cumulative value" of the Company's shares as determined for the purposes of the Small Industrial Companies Accumulation Index must have achieved at least the same percentage growth as the index itself over the period from the date of issue of the options to the date that the relevant tranche of options becomes exercisable.

23. Employee entitlements (continued)

The market value of shares under these options at 31 May 2001 was $2.52.

The following amounts were recognised in the financial statements of the Company in relation to employee share options exercised during the financial year:

	Consolidated	
	2001	2000
	$	$
Share capital	**24,000**	58,000

24. Commitments and Contingent Liabilities

The estimated maximum amount of commitments and contingent liabilities not provided for in the financial statements of the consolidated entity as at 31 May 2001 is set out below:

	Consolidated		The Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
Capital expenditure commitments				
Contracted but not provided and payable:				
Due within one year	**142**	329	**-**	183
Operating lease rental commitments				
Lease rentals in respect of operating leases:				
Due within 1 year	**10,549**	9,877	**440**	2,680
Due later than 1 year but within 5 years	**21,550**	21,383	**721**	3,248
Due later than 5 years	**8,731**	7,193	**127**	-
	40,830	38,453	**1,288**	5,928

Operating leases have an average lease term of five years and are generally over premises.

	Consolidated		The Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
Finance lease rental commitments				
Lease rentals in respect of finance leases:				
Due within 1 year	**1,377**	2,693	**-**	-
Due later than 1 year but within 5 years	**1,495**	4,645	**-**	-
Due later than 5 years	**107**	-	**-**	-
	2,979	7,338	**-**	-
Future lease finance charges	**(309)**	(651)	**-**	-
	2,670	6,687		-
Lease liabilities provided for in the financial statements:				
Current	**1,185**	2,269	**-**	-
Non-Current	**1,485**	4,418	**-**	-
	2,670	6,687	**-**	-

Finance leases have an average lease term of four years and an average implicit rate of 8%. Assets which are the subject of finance leases include motor vehicles and plant and equipment.

24. Commitments and Contingent Liabilities (continued)

	Consolidated		The Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
Contingent Liabilities				
Guarantees				
(i) Under the terms of the Deed of Cross Guarantee, described in Note 25, the Company has guaranteed any deficiency which might arise if McLeods Accessories Pty Limited, Parbury Building Products Pty Limited or Parbury Technologies Pty Limited are wound up. No deficiency in net assets exists in these Companies	**-**	-	**-**	-
(ii) The Company has guaranteed the payment to a creditor of a controlled entity	**-**	-	**3,000**	-

25. Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998 the wholly owned controlled entities listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports.

It is a condition of the Class Order that the Company and each of the controlled entities enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up any of the controlled entities under certain provisions of the Corporations Act 2001. If a windup occurs under other provisions of the Act the company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the Company is wound up.

The controlled entities subject to the Deed are:

- McLeod Accessories Pty Limited
- Parbury Building Products Pty Limited
- Parbury Technologies Pty Limited

A consolidated profit and loss statement and consolidated balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee at 31 May 2001 is as follows:

	Consolidated	
	2001	2000
	$000	$000
Profit and loss statement		
Operating profit before income tax	**13,755**	16,452
Income tax attributable to operating profit	**(1,340)**	2,375
Operating profit after income tax	**12,415**	18,827
Retained profits at the beginning of the financial year	**11,632**	430
Aggregate of amounts transferred from reserves	**-**	439
Total available for appropriation	**24,047**	19,696
Dividends provided for or paid	**(8,073)**	(8,064)
Retained profits at the end of the financial year	**15,974**	11,632

25. Deed of Cross Guarantee (continued)

	Consolidated	
	2001	2000
	$000	$000
Balance Sheet		
Cash	**765**	406
Receivables	**31,252**	66,699
Inventories	**37,325**	55,982
Other	**1,243**	2,079
Total current assets	**70,585**	125,166
Receivables	**1,112**	-
Investments	**72,257**	81,900
Property, Plant and equipment	**17,624**	25,145
Intangibles	**23,948**	26,997
Other	**10,786**	8,268
Total non current assets	**125,727**	142,310
Total assets	**196,312**	267,476
Accounts payable	**19,967**	39,844
Borrowings	**23,086**	31,476
Provisions	**17,994**	17,569
Total current liabilities	**61,047**	88,889
Borrowings	**41,316**	69,189
Provisions	**1,491**	2,402
Other	**-**	24,148
Total non current liabilities	**42,807**	95,739
Total liabilities	**103,854**	184,628
Net assets	**92,458**	82,848
Share capital	**75,180**	69,628
Reserves	**1,304**	1,588
Retained profits	**15,974**	11,632
Total shareholders' equity	**92,458**	82,848

26 Particulars in Relation to Controlled Entities

		Place of Incorp-oration	Interest Held	
			2001 %	2000 %
Controlled entities				
Finac Pty Ltd		WA	100	100
Beacon Industries Pty Limited		NSW	100	100
Beacon Engineering Products Pty Limited		NSW	100	100
Beacon Engineering Products Pty Limited (NZ)	(i)	NZ	100	100
Atkins Carlyle NZ Limited	(i)	NZ	100	100
DAS CarParts Limited	(i)	NZ	100	75
CarParts NZ Limited	(i)	NZ	100	100
McLeod Accessories Pty Limited	(iv)	QLD	100	100
Marathon Tyres Pty Limited		NSW	80	75
Marathon Tyres (WA) Pty Ltd		WA	80	100
Statewide Earthmover Tyre Repairs Pty Ltd		WA	56	56
Alan Fishers Earthmover Tyres Pty Ltd		VIC	80	60
Parbury Limited		NSW	100	100
Parbury Building Products Pty Ltd	(iv)	NSW	100	100
Aakronite Bathroom Products Pty Ltd		NSW	100	100
Corotone Pty Ltd		NSW	100	100
Dekoform Pty Ltd		NSW	100	100
Parbury Building Products (NZ) Ltd	(i)	NZ	100	100
Furniture Hardware Supplies Pty Ltd		NSW	100	100
Furniture Hardware Supplies (WA) Pty Ltd		WA	100	100
Parbury Technologies Pty Ltd	(iv)	NSW	100	100
Toby Industries Pty Ltd		VIC	100	100
Emery & Toby Coatings Pty Ltd		NSW	100	100
Parbury Henty Finance Ltd		ACT	100	100
Savink Pty Ltd		NSW	100	100
Parbury Share Plan Pty Ltd		NSW	100	100
Pekie Holdings Pty Ltd	(ii)	Thailand	100	100
Expandite - Essex Pty Ltd	(iii)	NSW	50	50
Ingram Corporation Pty Limited		VIC	100	80
Auto Aire Pty Limited		VIC	100	80
Ingram Corporation (Manufacturing) Pty Ltd		VIC	100	80
OEX (Australia) Pty Ltd		VIC	100	80
Ingram Corporation (NZ) Ltd	(i)	NZ	100	80

Notes:
(i) Incorporated in and carry on business in New Zealand
(ii) Incorporated in and carry on business in Thailand
(iii) The Company controls Expandite – Essex Pty Ltd despite only holding 50% of the issued capital as the Company appoints the majority of its directors.
(iv) These companies have entered into a Deed of Cross Guarantee with Atkins Carlyle Ltd in respect of relief granted from specified accounting and financial reporting requirements in accordance with a Class Order. Refer Note 25.

26. Particulars in Relation to Controlled Entities (continued)

Acquisition/Disposal of controlled entities

The following controlled entities were acquired or disposed of during the financial year:

Acquisitions

2001

No acquisitions

		Consideration $000	Net Assets at Date of Acquisition $000
2000			
Parbury Limited	(i)	**54,816**	**32,580**
Ingram Corporation Pty Limited	(ii)	**17,605**	**1,372**
Alan Fisher's Earthmover Tyres Pty Ltd	(iii)	**1,824**	**824**
		74,245	**34,776**

(i) A 100% interest in the entity was acquired for cash in February 2000. The operating results of the entity from that date have been included in consolidated operating profit.

(ii) An 80% interest in the entity was acquired for cash in July 1999. The operating results of the entity from that date have been included in consolidated operating profit

(iii) A 60% interest in the entity was acquired for cash in December 1999. The operating results of the entity from that date have been included in consolidated operating profit.

Disposals

2001
No disposals

2000
No disposals

27. Investments in associates

	Consolidated	
	2001	2000
	$000	$000
Results in associates		
Share of associates' operating result before income tax	**-**	(331)
Share of associates' income tax attributable to operating result	**-**	121
Share of associates' net result as disclosed by associates	**-**	(210)
Adjustments		
Dissimilar accounting treatment with respect to recognition of rebate income	**221**	(221)
Share of associates' net result - equity accounted	**221**	(431)

Share of post-acquisition retained profits and reserves attributable to associates

Retained Profits		
Share of associates' retained profits at the beginning of the financial year	**(431)**	-
Share of net profit of associates	**221**	(431)
Share of associates retained profits at the end of the financial year	**(210)**	(431)
Movements in carrying amount of investments		
Carrying amount of investments in associates at the beginning of the financial year	**821**	-
Investments in associates acquired during the year	**-**	1,252
Share of associates' net profit	**221**	(431)
Carrying amount of investments in associates at the end of the financial year	**1,042**	821
Commitments		
Share of associates' capital expenditure commitments contracted but not provided for and payable:		
Not later than one year	**-**	49
Share of associates' operating lease commitments payable:		
Not later than one year	**66**	292
Later than one year but not later than five years	**289**	347
Later than five years	**78**	61
	433	700

27. Investments in associates (continued)

Name	Principal Activities	Balance Date	Ownership Interest Consolidated & The Company 2001 %	2000 %	Investment carrying amount Consolidated 2001	2000 $'000
CarParts Distribution Pty Ltd	Wholesale Distribution	31 May	**50**	50	**1,042**	821
Cormix International Ltd	Manufacturing	31 Dec	**50**	50	**-**	-
Concrete Solutions Ltd	Wholesale Distribution	31 Dec	**50**	50	**-**	-
					1,042	821

	Consolidated 2001 $000	2000 $000
Summary performance and financial position of associates		
The consolidated entity's share of aggregate assets, liabilities and profits of associates is as follows:		
Net profit - as reported by associates	**-**	(210)
Adjustments arising from equity accounting	**221**	(221)
Net profit - equity adjusted	**221**	(431)
Current assets	**16,141**	20,612
Non-current assets	**1,862**	1,858
Total assets	**18,003**	22,470
Current liabilities	**17,213**	21,811
Non-current liabilities	**-**	90
Total liabilities	**17,213**	21,901
Net assets - as reported by associates	**790**	569
Adjustments arising from equity accounting:		
Goodwill (net of amortisation)	**252**	252
Net assets - equity adjusted	**1,042**	821

28. Additional Financial Instruments Disclosure

a) Interest rate risk

The consolidated entity enters into interest rate swaps to manage cash flow risks associated with the interest rates on borrowings that are floating.

Interest Rate Swaps

Interest rate swaps allow the consolidated entity to swap floating rate borrowings into fixed rates. Maturities of swap contracts are principally between two and five years.

Each contract involves quarterly payment or receipt of the net amount of interest. At 31 May 2001 the fixed rates varied from 5.7% to 7.4% (2000 : 5.7% to 7.5%) and the floating rates were at bank bill rates plus the consolidated entity's credit margin. The weighted average effective floating interest rate at 31 May 2001 was 5.8% (2000 : 6.1%).

Interest rate risk exposures

				Fixed interest maturing in:				
	Note	Weighted average interest rate	Floating interest $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
2001								
Financial assets								
Cash		4.5%	1,779	-	-	-	-	1,779
Receivables	8		-	-	-	-	76,396	76,396
Investments	11		-	-	-	-	1,335	1,335
			1,779	-	-	-	77,731	79,510
Financial liabilities								
Bank overdraft and loans	16	6.0%	68,017	-	-	-	-	68,017
Accounts payable	15		-	-	-	-	69,020	69,020
Lease liabilities	16	8.0%	-	1,185	1,485	-	-	2,670
Dividends payable	18		-	-	-	-	3,898	3,898
Employee entitlements	18		-	-	-	-	8,875	8,875
			68,017	1,185	1,485	-	81,793	152,480
Interest rate swaps*		6.5%	(45,000)	5,000	40,000	-	-	-
2000								
Financial assets								
Cash		5.2%	1,676	-	-	-	-	1,676
Receivables	8		-	-	-	-	110,153	110,153
Investments	11		-	-	-	-	2,190	2,190
			1,676	-	-	-	112,343	114,019
Financial liabilities								
Bank overdraft and loans	16	6.6%	128,182	2,000	-	-	-	130,182
Accounts payable	15		-	-	-	-	84,749	84,749
Lease liabilities	16	8.0%	-	2,269	4,418	-	-	6,687
Dividends payable	18		-	-	-	-	3,791	3,791
Employee entitlements	18		-	-	-	-	11,610	11,610
			128,182	4,269	4,418	-	100,150	237,019
Interest rate swaps *		6.8%	(70,000)	5,000	65,000	-	-	-

* Notional principal amounts

28. Additional Financial Instruments Disclosure (continued)

b) Foreign exchange risk

The consolidated entity enters into forward foreign exchange contracts to hedge certain anticipated purchase commitments denominated in foreign currencies (principally US dollars, Japanese yen, Germans marks and Euro). The terms of these commitments are rarely more than 6 months.

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity.

	Consolidated			
	2001	2000	**2001**	2000
	Weighted average rate		**$'000**	$'000
Buy US dollars				
Not longer than one year	**0.5204**	0.5976	**6,645**	9,185
Buy Japanese yen				
Not longer than one year	**60.17**	64.818	**3,219**	3,484
Buy German marks				
Not longer than one year	**1.1507**	1.292	**683**	486
Buy Euros				
Not longer than one year	**0.5862**	0.6281	**3,668**	3,696

As these contracts are hedging anticipated purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs. The unrecognised net gain on hedges of anticipated foreign currency purchases at 31 May 2001 was $14,432 (2000 : $350,000). Where the underlying transaction has occurred, the effect of the hedge has been recognised in the financial statements.

c) Credit risk exposures

Credit risk exposures represent the loss that would be recognised if counterparties fail to perform as contracted.

On-balance sheet financial instruments

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers.

The consolidated entity is not materially exposed to any individual customer.

Off-balance sheet financial instruments

Swap and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the consolidated entity pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the consolidated entity. The full amount of the exposure is disclosed in note 28(b) above.

The credit risk exposure on swap contracts is limited to the net amount to be received from counterparties on contracts that are favourable to the consolidated entity. The accrued amount due to the consolidated entity at 31 May 2001 amounted to $Nil (2000 : Nil).

28. Additional Financial Instruments Disclosure (continued)

d) Net fair values of financial assets and liabilities

(i) Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

On-balance sheet financial instruments

Listed shares included in "Investments" are traded in an organised financial market. The net fair value of listed shares is determined by valuing them at the current quoted market bid price for an asset, adjusted for transaction costs necessary to realise the asset.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amounts of bank term deposits, accounts receivable, accounts payable, bank loans and dividends payable approximate their respective net fair values.

The net fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets of the respective corporations.

Off-balance sheet financial instruments

The valuation of off-balance sheet financial instruments detailed in this note reflects the estimated amounts which the consolidated entity expects to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates as at reporting date. This is based on independent market quotations and determined using standard valuation techniques.

(ii) Net fair values

On-Balance Sheet Financial Instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	Consolidated			
	2001 Carrying Amount $'000	**2001 Net fair Value $'000**	2000 Carrying Amount $'000	2000 Net fair Value $'000
Financial assets				
Cash	**1,779**	**1,779**	1,676	1,676
Receivables	**76,396**	**76,396**	110,153	110,153
Investments:				
Shares in other corporations – listed	**-**	**-**	842	844
Shares in other corporations – unlisted	**1,335**	**1,335**	1,348	1,348
Financial liabilities				
Bank overdrafts and loans	**68,017**	**68,017**	130,182	130,182
Accounts payable	**69,020**	**69,020**	84,749	84,749
Lease liabilities	**2,670**	**2,670**	6,687	6,687
Dividends payable	**3,898**	**3,898**	3,791	3.791
Employee entitlements	**8,875**	**8,875**	11,610	11,610

28. Additional Financial Instruments Disclosure (continued)

Off-Balance Sheet Financial Instruments

The net fair value of off-balance sheet financial instruments held as at the reporting date are:

	Consolidated	
	2001	2000
	$'000	$'000
Interest rate swaps	**(798)**	(125)
Forward foreign exchange contracts	**14**	350
	(784)	225

In securing certainty over future cash flows by hedging certain transactions, the consolidated entity has incurred a net notional loss of $784,000 as at 31 May 2001 (2000 : net notional gain $225,000).

29. Directors' and Executives' Remuneration

Directors' Remuneration

The number of directors of the Company whose income from the Company or any related party falls within the following bands:

	Consolidated		The Company	
	2001	2000	**2001**	2000
	$	$	**No.**	No.
$40,000 - $49,999			**2**	2
$50,000 - $59,999			**1**	1
$70,000 - $79,999			**1**	-
$110,000 - $119,999			**-**	1
$120,000 - $129,999			**1**	-
$520,000 - $529,999			**-**	1
$600,000 - $609,999			**1**	-
			$	$
Total income paid or payable, or otherwise made available to all directors of the Company from the Company or any related party			**961,934**	785,342
Total income paid or payable, or otherwise made available to all directors in the consolidated entity from the Company or any related party	**2,107,183**	2,430,780		

Retirement Benefits

Retiring non-executive directors of the Company who have been members of the Board in excess of 10 years, are entitled to receive a lump sum payment which does not exceed their total emoluments during the period of 3 years ending on the date that they retire from their directorships, and pro rata for lesser periods.

29. Directors' and Executives' Remuneration (continued)

Executives Remuneration

The number of executive officers of the Company and its controlled entities, whose remuneration from the Company or related parties and from entities in the consolidated entity falls within the following bands:

	Consolidated		The Company	
	2001	2000	**2001**	2000
	No.	No.	**No.**	No.
$100,000 - $109,999	**2**	2	**-**	-
$110,000 - $119,999	**1**	1	**-**	-
$120,000 - $129,999	**4**	1	**1**	1
$130,000 - $139,999	**1**	-	**-**	-
$140,000 - $149,999	**1**	1	**-**	1
$150,000 - $159,999	**1**	1	**1**	-
$160,000 - $169,999	**2**	1	**-**	-
$170,000 - $179,999	**1**	1	**-**	1
$180,000 - $189,999	**1**	1	**-**	-
$190,000 - $199,999	**1**	1	**-**	1
$200,000 - $209,999	**-**	1	**-**	1
$220,000 - $229,999	**1**	-	**1**	-
$230,000 - $239,999	**2**	1	**-**	-
$240,000 - $249,999	**-**	1	**-**	1
$290,000 - $299,999	**1**	-	**1**	-
$330,000 - $339,999	**-**	1	**-**	1
$460,000 - $469,999	**1**	-	**1**	-
$520,000 - $529,999	**-**	1	**-**	1
$600,000 - $609,999	**1**	-	**1**	-

The remuneration bands are not consistent with the emoluments disclosed in the Directors' Report as the basis of calculation differs due to the differing requirements of the Corporations Act 2001 and the Accounting Standards.

	Consolidated		The Company	
	$	**$**	**$**	**$**
	2001	**2000**	**2001**	**2000**
Total income received, or due and receivable, from the Company, entities in the consolidated entity or related parties by executive officers of the Company and of controlled entities whose income is $100,000 or more.	**4,204,749**	3,021,023	**1,874,159**	1,962,860

30 Related Parties

Directors

The names of each person holding the position of Director of Atkins Carlyle Ltd during the financial year were Messrs G.C. Nathan, S.P. Wareing, K.F. Clarke, D.D. Scanlan, D.M. Watt, and D.J. Young. Mr. K.R. Williams is an alternate director for Mr. K.F. Clarke. Mr G.C. Nathan retired as a director during the year.

Directors' remuneration (including superannuation and retirement payments where applicable) is detailed in Note 29.

No director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interest subsisting at year end.

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

30. Related Parties (continued)

Directors' holdings of shares and share options

Messrs S.P. Wareing, K.F. Clarke, D.D. Scanlan, D.M. Watt and D.J. Young hold shares and options over shares in the Company either directly or indirectly.

The relevant interests of directors of the Company and their director-related entities in shares and options over shares within the Company at year end are:

	2001 Number held	2000 Number held
Ordinary shares	**961,090**	1,308,760
Options over unissued ordinary shares	**450,000**	800,000

The interests of directors listed above are as defined by statute but are not necessarily beneficially owned, representative of 100% ownership, or of material value to the director concerned.

Share transactions with directors and their director-related entities

During the year 63,156 (2000 : 141,547) fully paid ordinary shares in the Company were acquired by directors and their director-related entities of which 1,956 shares (2000 : 685) were issued by virtue of their participation in the Company's dividend reinvestment plan.

During the year Nil (2000 : Nil) fully paid ordinary shares in the Company were disposed of by directors and their director-related entities in on-market transactions.

Other transactions with the Company or its Controlled Entities

During the year, the consolidated entity paid rent of

- $640,965 (2000 : $435,000) to entities associated with Mr M D Nesbitt and Mr G M Nesbitt, Directors of a controlled entity.
- $115,000 (2000 : $90,000) to Astra Gem Pty Ltd, a company associated with Mr M A Galloway, a Director of a controlled entity.
- $9,800 (2000 : $15,000) to entities associated with Mr A. Fisher, a Director of a controlled entity.
- $6,750 (2000 : $81,000) to Julmar Holdings Ltd, a company associated with Mr C S Dawson, who was a Director of a controlled entity during the year.

During the year, the consolidated entity paid interest of $159,360 (2000 : $106,400) to entities associated with Mr M D Nesbitt, a director of a controlled entity.

During the year, a controlled entity Ingram Corporation Pty Limited bought back shares from Dans Investments Pty Ltd, a company associated with Mr N Hollings, who was a director of Ingram Corporation Pty Limited during the year.

During the year, a controlled entity, Marathon Tyres Pty Ltd, acquired the outside equity interest of its' controlled entity, Alan Fisher's Earthmover Tyres Pty Ltd from Mr A Fisher who was a director of Alan Fisher's Earthmover Tyres Pty Ltd during the year.

All transactions with directors and their related entities were based on normal commercial terms and conditions.

Wholly Owned Group

Details of interests in wholly-owned controlled entities are set out at Note 26. Details of dealings with these entities are set out below.

30. Related Parties (continued)

Loans

Loans between entities in the wholly-owned group are repayable at call. Interest is charged at commercial rates. During the year the Company received interest income totalling $3,206,000 (2000 : $Nil).

Other transactions

During the year the Company entered into the following transactions with wholly owned entities:

Received service fee income of $1,203,455 (2000 : $434,000) from shared services.

Received licence fee income of $185,001 (2000 : $Nil) from the use of trademarks and brand names.

Received management fee income of $5,000,000 (2000 : $Nil).

The aggregate amounts receivable from, and payable to, wholly-owned controlled entities by the company at balance date:

	The Company	
	2001	2000
	$'000	$'000
Receivables – current		
Trade receivables	**-**	1
Receivables - non current		
Loans	**60,248**	28,061
	60,248	28,062
Payables - non current		
Loans	**16,042**	10,823
	16,042	10,823
Dividends		
Dividends received or due and receivable by the Company from wholly-owned controlled entities	**-**	13,182

Partly owned controlled entities

Details of interests in partly-owned controlled entities are set out in note 26.

During the year the Company entered into the following transactions with partly-owned controlled entities:

Received licence fee income of $431,669 (2000 : $617,000) from the use of trademarks and brand names.

Received interest income on loans totalling $1,120,000 (2000 : $1,513,000) Interest is charged at bank bill rates plus a margin with quarterly reviews. All loans are repayable at call.

Received service fee income of $374,000 (2000 : $533,000) from shared services.

30 Related Parties (continued)

Balances with partly-owned controlled entities

The aggregate amounts receivable from, and payable to, partly-owned controlled entities by the company at balance date:

	The Company	
	2001	2000
	$'000	$'000
Receivables - current		
Trade receivables	**-**	2
Receivables - non current		
Other loans	**14,278**	9,874
	14,278	9,876
Payables - current		
Trade creditors	**-**	35
	-	35
Dividends		
Dividends received or due and receivable by the Company from partly-owned controlled entities	**2,411**	720

Associated companies

Details of interests in associated companies are set out in note 27.

During the year the Company entered into the following transactions with associated companies:

The company charged $196,917 (2000 : $633,000) in service fees. These charges arise in the normal course of business and are on normal terms and conditions for the use of shared services.

The Company received a total of $5,000 (2000 : $32,000) in rental income from properties owned by the Company. These amounts arise under normal rental terms and conditions.

Interest income received on loans totalled $Nil (2000 : $8,000). Interest is charged at bank bill rates plus a margin with quarterly reviews. All loans are repayable at call.

Other related parties

The aggregate amount of debts, other than trade debts, due and receivable from other related parties by the Company and the Consolidated entity at balance date:

	Consolidated		The Company	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Receivables				
Non current	**126**	99	**126**	99

31. Notes to the Statements of Cash Flows

(a) Reconciliation of cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the balance sheets as follows:

	Consolidated		The Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
Cash	**1,779**	1,676	**148**	191
Bank overdraft	**(697)**	(2,465)	**-**	(1,157)
	1,082	(789)	**148**	(966)

	Consolidated		The Company	
	2001	2000	**2001**	2000
(b) Reconciliation of operating profit after Tax to net cash provided by operating activities				
Operating profit after income tax	**23,078**	10,473	**11,074**	14,948
Add(less) items classified as investing/financing				
Profit on sale of property, plant and equipment	**(683)**	(1,120)	**(405)**	(1,065)
Interest and finance charges paid	**9,007**	5,890	**6,791**	4,398
Investment income	**(164)**	(228)	**-**	-
Rent received	**(463)**	(284)	**(382)**	(227)
Profit on sale of investments	**(180)**	(249)	**(226)**	(249)
Profit on sale of businesses	**(16,841)**	(95)	**(16,520)**	-
Costs associated with investment in the CarParts Joint Venture	**1,422**	-	**1,422**	-
Loss on sale of a controlled entity	**-**	-	**9,347**	-
Add(less) non cash items:				
Dividends received controlled entities	**-**	-	**(2,411)**	(13,902)
Interest received related entities	**-**	-	**(4,326)**	(1,521)
Interest paid related entities	**-**	-	**-**	26
Rent received related entities	**-**	-	**(70)**	(101)
Sundry income related entities	**-**	-	**(7,391)**	-
Depreciation	**8,652**	6,501	**1,358**	2,615
Amortisation	**4,894**	2,636	**193**	203
Amounts set aside to provisions	**(5,297)**	459	**(2,262)**	(2,844)
Diminution in value of investments	**180**	62	**210**	-
Goodwill written off	**-**	954	**-**	954
Share of associates net (profit)/ loss	**(221)**	431	**-**	-
Net cash provided by operating activities before changes in assets and liabilities	**23,384**	25,430	**(3,598)**	3,235
Changes in assets and liabilities during the year adjusted for effects of purchase and disposal of controlled entities during the financial year.				
(Increase)/decrease in trade debtors	**2,627**	(8,997)	**1,781**	(319)
(Increase)/decrease in inventories	**5,022**	(1,538)	**(179)**	10,975
(Increase)/decrease in other debtors	**(2,850)**	(809)	**(1,492)**	(8)
Increase/(decrease) in accounts payable	**(5,206)**	6,526	**(3,982)**	(536)
Increase/(decrease) in income taxes payable	**(1,921)**	(2,090)	**1,399**	153
Increase/(decrease) in deferred taxes payable	**1,550**	3,353	**51**	2,020
Net cash provided by/(used in) operating activities	**22,606**	21,875	**(6,020)**	15,520

31. Notes to the Statements of Cash Flows (continued)

(c) Non-cash financing and investing activities

The following transactions have not been reflected in the Statements of Cash Flows:

(i) During the year, dividends totalling $1,418,472 (2000 : $3,660,000) were reinvested in the Company pursuant to the dividend reinvestment plan.

(ii) During the year, the consolidated entity acquired plant and equipment with an aggregate fair value of $522,000 (2000 : $Nil) by means of finance leases.

(d) Acquisitions of controlled entities

There were no controlled entities acquired during the year. In the prior year the consolidated entity purchased 100% of the ordinary shares in Parbury Limited, 60% of the ordinary shares in Alan Fisher's Earthmover Tyres Pty Ltd and 80% of the ordinary shares in Ingram Corporation Pty Limited.

	Note	Consolidated **2001 $'000**	Consolidated 2000 $'000	The Company **2001 $'000**	The Company 2000 $'000
Consideration:					
Cash	26	-	74,245	-	72,421
Fair value of net assets of entities acquired:					
Property, plant and equipment		-	21,216	-	20,857
Future income tax benefit		-	4,684	-	4,684
Debtors		-	36,885	-	36,885
Inventories		-	51,200	-	50,239
Intangible assets		-	3,748	-	3,748
Creditors		-	(24,707)	-	(24,707)
Loans - secured		-	(33,383)	-	(33,383)
Loans – unsecured		-	(10,151)	-	(10,151)
Provisions		-	(13,941)	-	(13,901)
Investments in subsidiaries		-	-	-	1,302
Cash		-	-	-	-
		-	35,551	-	35,573
Outside equity interest at acquisition		-	(1,079)	-	(623)
		-	34,472	-	34,950
Goodwill on acquisition		-	39,469	-	38,469
Consideration		-	73,941	-	73,419
Outflow of cash to acquire controlled entities net of cash acquired:					
Cash consideration current period		-	72,678	-	73,723
Cash amounts paid prior year		-	1,567	-	-
		-	74,245	-	73,723
Less: cash acquired		-	(304)	-	(304)
Outflow of cash		-	73,941	-	73,419

32. Events Subsequent to Balance Date

On 4 June 2001 the Company announced an on market buy back of up to 3,369,320 ordinary shares. As at 30 July 2001 the Company had bought back 2,306,374 shares at a cost of $5,878,000.

On 7 June 2001 the company's controlled entity, Parbury Building Products Pty Ltd (Parbury FHS) sold its Merchant Products division. An abnormal loss after tax of $763,000 has been recorded in the financial report for the year ended 31 May 2001.

Subsequent to year end an in principle agreement has been reached for the Company to purchase the 20% outside equity interest in Marathon Tyres Pty Ltd.

Other than the matters discussed above 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

Atkins Carlyle Ltd and its controlled entities

Directors' Declaration

1. In the opinion of the directors of Atkins Carlyle Ltd:

   (a) the financial statements and notes as set out on pages 10 to 48 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 31 May 2001 and of their performance, as represented by the results of their operations and their cash flows for the year ended on that date; and

   (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the controlled entities identified in Note 25 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

Signed in Sydney this 30th day of July 2001 in accordance with a resolution of the directors:

Sean Patrick Wareing
Chairman

INDEPENDENT AUDIT REPORT
to the Members of Atkins Carlyle Ltd

Scope

We have audited the financial report of Atkins Carlyle Ltd for the financial year ended 31 May 2001 consisting of the profit and loss statements, balance sheets, statements of cash flows, accompanying notes, and the directors declaration set out on pages 10 to 49. 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 this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia 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 Atkins Carlyle Ltd is in accordance with:

(a) the Corporations Act 2001 including;

- (i) giving a true and fair view of the Company 's and consolidated entity's financial position as at 31 May 2001 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

KPMG

KPMG
Sydney, New South Wales
30th July 2001

G Boydell

G J Boydell
Partner

Atkins Carlyle Ltd

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