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ANSELL LTD  
Form 20-F/A  
January 10, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 20-F/A

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR (G) OF THE  
SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-15850

-----  
Ansell Limited  
-----

(Australian Company Number 004 085 330)  
(Exact name of Registrant as specified in its charter)

-----  
Ansell Limited  
-----

(Translation of Registrant's name into English)

-----  
Victoria, Australia  
-----

(Jurisdiction of incorporation or organisation)

-----  
Level 3, 678 Victoria Street, Richmond, Victoria, 3121, Australia  
-----

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

|                     |   |
|---------------------|---|
| Title of each class | Name of each exchange on which registered |
| None                | None                                      |

Securities registered or to be registered pursuant to Section 12(g) of the Act.

-----  
Ordinary Shares  
-----

American Depositary Shares\*  
-----

\* Evidenced by American Depositary Receipts, each American Depositary Share representing four (4) Ordinary Shares

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Securities registered or to be registered pursuant to Section 15(d) of the Act.

None

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Indicate the number of outstanding shares of each of the issuer's classes of capital stock as of the close of the period covered by the annual report.

Ordinary Shares - 930,051,169 (at June 30, 2001)\*\*

-----  
\*\* This figure includes 5,091,396 shares represented by the 1,272,849 American Depositary Shares outstanding on June 30, 2001.

-----  
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark which financial statement item the registrant has elected to follow  Item 17  Item 18

### EXPLANATORY NOTE REGARDING AMENDED 20-F

We are filing this Form 20-F/A to add at the end of Part III the Statutory Accounts of South Pacific Tyres and Controlled Entities for the Year Ended June 30, 2001.

### SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Ansell Limited  
Registrant

/s/ David M. Graham

David M. Graham  
Chief Financial Officer

Dated: January 7, 2003

### Certifications

I, Harry Boon, certify that:

1. I have reviewed this amendment to the annual report on Form 20-F of Ansell Limited;
2. Based on my knowledge, this amendment to the annual report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period

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covered by this annual report; and

- 3. Based on my knowledge, the financial statements, and other financial information included in this amendment to the annual report, fairly present in all material respects the financial condition, results of operations and cash flows of South Pacific Tyres & Controlled Entities as of, and for, the periods presented.

Dated: January 8, 2003

/s/ Harry Boon

-----  
Name: Harry Boon

Title: Chief Executive Officer

I David M. Graham certify that:

- 1. I have reviewed this amendment to the annual report on Form 20-F of Ansell Limited;
- 2. Based on my knowledge, this amendment to the annual report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
- 3. Based on my knowledge, the financial statements, and other financial information included in this amendment to the annual report, fairly present in all material respects the financial condition, results of operations and cash flows of South Pacific Tyres & Controlled Entities as of, and for, the periods presented.

Dated: January 8, 2003

/s/ David M. Graham

-----  
Name: David M. Graham

Title: Chief Financial Officer

SOUTH PACIFIC TYRES  
& CONTROLLED ENTITIES  
STATUTORY ACCOUNTS  
FOR THE YEAR ENDED  
30TH JUNE 2001

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### Directors Report

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The directors of South Pacific Tyres (a partnership between Pacific Dunlop Tyres Pty. Ltd. and Goodyear Tyres Pty. Ltd.) present their report together with the financial report of South Pacific Tyres ("the partnership") and the consolidated financial report of the consolidated entity, being the partnership and its controlled entities, for the year ended 30th June 2001 and the auditor's report thereon.

- (a) The names of the directors, appointed pursuant to the Partnership Agreement dated 30th March 1987, at any time during or since the end of the financial year are:

| Names   | Experience, Special Responsibilities   |
|---|--|
| Mr. Samir G. Gibara<br>Masters - International Bus & Finance -<br>Harvard | Chairman & Chief Executive Officer of The<br>Goodyear Tire & Rubber Company.<br>38 years service with the Company.<br>Appointed as director 1995 |
| Mr. R Chadwick  | Appointed as director 1995   |

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|   |  |
|---|--|
|   | Resigned March 31st 2001.  |
| Mr. Phillip Gay   | Appointed as director 1996.  |
| Mr. Hugh D. Pace<br>Masters in International Management       | President Asia Region of The Goodyear Tire & Rubber Company.<br>27 years service with the Company.<br>Appointed as director December 1st 1998  |
| Mr. John Rennie   | Appointed as director 1996.  |
| Mr. Ernie J. Rodia  | Appointed as director 1999.<br>Resigned September 30th 2001.   |
| Mr. Clark E. Sprang<br>Graduate Ohio State University         | Senior Vice President for Business Development & Integration of The Goodyear Tire & Rubber Company.<br>36 years service with the Company.<br>Appointed as director October 1st 2001. |
| Mr. Robert W. Tieken<br>Graduate Illinois Wesleyan University | Executive Vice President & Chief Financial Officer of The Goodyear Tire & Rubber Company<br>8 years service with the Company.<br>Appointed director 1995                             |
| Mr. Ian Veal  | Appointed as director 1990   |

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Directors Report

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- (b) The number of directors' meetings and number of meetings attended by each director of the partnership during the financial year are:

| Director       | Directors |   | Meetings |   |
|----------------|-----------|---|----------|---|
|                | A         | B | A        | B |
| Mr. R Chadwick | 1         |   | 1        |   |
| Mr. P. Gay     | 1         |   | 1        |   |
| Mr. S. Gibara  | 0         |   | 1        |   |
| Mr. H. Pace    | 1         |   | 1        |   |
| Mr. J. Rennie  | 0         |   | 1        |   |
| Mr. E. Rodia   | 1         |   | 1        |   |
| Mr. C. Sprang  | 0         |   | 0        |   |
| Mr. R. Tieken  | 0         |   | 1        |   |
| Mr. I. Veal    | 1         |   | 1        |   |

A = Number of meetings attended

B = Number of meetings held during the time the director held office during the year.

- (c) The principal activities of the consolidated entity during the period were:

- . Manufacture of tyres for vehicles and aircraft
- . Wholesaling and retailing of vehicle and aircraft tyres;

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

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- (d) The net loss of the consolidated entity for the year after deducting outside equity interests and after providing for income tax was \$92,056,394. The comparative figure for the previous year ended 30th June 2000, was a net loss of \$15,639,468. The contribution to profits by each entity in the consolidated entity is set out in Note 28 to the financial statements.

The directors have apportioned the loss to the partners in accordance with the Partnership Agreement.

- (e) For the year ended 30/th/ June 2001, South Pacific Tyres paid nil (2000 : \$7,276,000) to the partners by way of a distribution of profits.
- (f) The directors' review of the operations of the consolidated entity during the year, and the results of those operations is as follows:

Worldwide industry over-capacity and severe pressure from competitive imports made last year very difficult for South Pacific Tyres. It was also a period of significant change in all operations.

A loss after tax of \$92.1 million was incurred by South Pacific Tyres, compared with the previous years' loss of \$15.6 million. The losses reflected the lower volumes, falling prices, and other inefficiencies which are currently being addressed in a wide-ranging review of SPT operations. The losses include \$32.3 million non-recurring restructuring costs including \$26.3 million associated with the closure of the medium truck radial tyre plant at Somerton (closure costs of \$52.3 million net of \$25.0 million supply agreement consideration) and \$6.0 million costs associated with an overhead reduction program.

Market share decreased even though total Australian demand for tyres increased slightly. Competitive imports, mainly from low cost Asian manufacturers, increased significantly - up to 21.4% in light truck radials, 8.5% in truck radials, and 7.3% in passenger radials. The increase in competitive imports from Asia has increased more than three fold in the past 10 years.

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### Directors Report

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- (g) In the opinion of the directors, other than referred to in this report, there were no significant changes in the state of affairs of the consolidated entity that occurred during the year.
- (g) Since the end of the financial year, the following matters or circumstances have arisen that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the consolidated entity.

A memorandum of undertaking has been signed by the partners on issues regarding the future of the South Pacific Tyres Joint Venture, including the basis of future funding and opportunities for continuance or dissolution of the partnership. Agreement to give effect to the understandings in the memorandum is subject to completion of a definitive agreement.

Further, on the 28th September 2001, South Pacific Tyres announced

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details of major restructuring plans for its Australian tyre manufacturing operations. The restructure is aimed at turning around its recent poor performance to ensure its survival as a profitable competitive business. The key elements include:

- . Closure of the Footscray factory over the period December 2001, through to March 2002, with a total of 440 redundancies;
  - . Reconfiguration of passenger tyre production to consolidate all current Somerton and Thomastown production of this category at the Somerton site by July 2002, with 380 redundancies and the closure of the Thomastown factory;
  - . Streamlining of some related corporate and executive level administration with the redundancy of 70 staff.
- (i) The operations of the partnership are subject to various environmental regulations under both Commonwealth and State legislation. The partnership has an Environmental Specialist who monitors compliance with environmental regulations. The directors are not aware of any breaches of the legislation during the financial year which are material in nature.
- (j) **Likely Developments**  
Information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years, has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.
- (k) No director of the partnership, since the end of the previous financial year, has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements or the fixed salary of a full time employee of the partnership or of a related corporation) by reason of a contract made by the partnership or a related corporation with the director or with a firm of which he is a member, or with an entity in which the director has a financial interest.
- (l) This special purpose financial report has been drawn up in accordance with Section 11 of the Partnership Agreement. As required by that section, the financial report has been prepared as if the partnership were a public company under the provisions of the Corporations Act 2001. The financial report complies with the Corporations Act 2001, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, and, except as stated below, applicable Accounting Standards. The directors do not consider the partnership to be a reporting entity and the matters required to be disclosed by AASB 1017 - Related Party Disclosures, and AASB 1029 - Accounting for Employee Entitlements ( disclosure requirements only ), have not been included in the financial report, as the directors do not consider those matters to be relevant.
- (m) **Indemnification and insurance of officers and auditors**  
Since the end of the previous financial year, the partnership has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the partnership.

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### Directors Report

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During the financial year the partnership has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30th June 2001. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the partnership. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

Signed in accordance with a resolution of the directors:

/s/ Robert W. Tieken

30/Oct./01

-----  
Director

-----  
Dated

/s/ Philip R. Gay

16th October, 2001

-----  
Director

-----  
Dated

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### Statement of Financial Performance

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For the year ended 30th June 2001

|   | Notes | 2001<br>\$m        | Consolidated<br>2000<br>\$m | 1999<br>\$m        | 2001<br>\$m    |
|---|-------|--------------------|-----------------------------|--------------------|----------------|
| Revenue from sale of goods                                    | 7     | 774,668,166        | 871,392,335                 | 889,212,814        | 483,486        |
| Revenue from rendering services                               | 3     | 59,426,109         | 63,415,235                  | 61,948,854         |                |
| Other revenues from ordinary activities                       | 3     | 60,935,622         | 4,392,022                   | 5,984,759          | 61,824         |
| <b>Total revenue from ordinary activities</b>                 |       | <b>895,029,897</b> | <b>939,199,592</b>          | <b>957,146,427</b> | <b>545,311</b> |
| Changes in inventories of finished goods and work in progress |       | (9,386,419)        | (15,897,755)                | (2,984,594)        | (5,306)        |
| Raw materials and consumables used                            |       | 145,679,698        | 176,882,512                 | 180,239,475        | 129,514        |
| Employee expenses   |       | 243,283,796        | 265,671,039                 | 251,360,614        | 130,898        |
| Depreciation and amortisation expenses                        | 4 (b) | 36,599,361         | 40,488,722                  | 37,686,538         | 25,929         |
| Borrowing costs   | 4 (b) | 16,340,214         | 15,848,050                  | 14,477,308         | 15,381         |
| Other expenses from ordinary activities                       |       | 559,362,396        | 467,752,875                 | 436,919,203        | 326,295        |
| <b>Expenses from ordinary activities</b>                      |       | <b>991,879,046</b> | <b>950,745,443</b>          | <b>917,698,544</b> | <b>622,712</b> |



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|  |       |              |              |            |          |
|--|-------|--------------|--------------|------------|----------|
| Profit/(loss) from ordinary activities before related income tax expense |       | (96,849,149) | (11,545,851) | 39,447,883 | (77,401) |
| Income tax expense/(benefit) relating to ordinary activities             | 6 (a) | (4,793,040)  | 4,055,314    | 12,512,703 |          |
| -----  |       |              |              |            |          |
| Profit/(loss) from ordinary activities after related income tax expense  |       | (92,056,109) | (15,601,165) | 26,935,180 | (77,401) |
| Net profit/(loss) attributable to outside equity interests               | 21    | 285          | 38,303       | 7,345      |          |
| -----  |       |              |              |            |          |
| Net profit/(loss) after income tax attributable to the partnership       |       | (92,056,394) | (15,639,468) | 26,927,835 | (77,401) |
| -----  |       |              |              |            |          |

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 8 to 28

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Statement of Financial Position

For the year ended 30th June 2001

|                               | Notes | Consolidated |             | Partners    |
|-------------------------------|-------|--------------|-------------|-------------|
|                               |       | 2001         | 2000        | 2001        |
|                               |       | \$           | \$          | \$          |
| -----                         |       |              |             |             |
| CURRENT ASSETS                |       |              |             |             |
| Cash assets                   | 7     | 19,031,203   | 16,764,042  | 9,507,000   |
| Receivables                   | 8     | 144,857,771  | 154,534,601 | 161,347,428 |
| Inventories                   | 9     | 167,246,533  | 163,510,085 | 129,392,966 |
| Other                         | 10    | 2,521,577    | 7,481,840   | 147,388     |
| TOTAL CURRENT ASSETS          |       | 333,657,084  | 342,290,568 | 300,394,782 |
| -----                         |       |              |             |             |
| NON-CURRENT ASSETS            |       |              |             |             |
| Receivables                   | 8     | 29,091,771   | 3,028,266   | 56,622,712  |
| Other financial assets        | 11    | -            | -           | 21,496,245  |
| Property, plant and equipment | 12    | 232,748,495  | 291,581,442 | 188,444,967 |
| Intangible assets             | 13    | 5,467,324    | 6,321,328   | -           |
| Deferred tax assets           | 6 (c) | 8,897,006    | 3,173,605   | -           |
| TOTAL NON-CURRENT ASSETS      |       | 276,204,596  | 304,104,641 | 266,563,924 |
| TOTAL ASSETS                  |       | 609,861,680  | 646,395,209 | 566,958,706 |
| -----                         |       |              |             |             |
| CURRENT LIABILITIES           |       |              |             |             |
| Payables                      | 14    | 150,212,918  | 141,958,615 | 102,305,181 |
| Interest bearing liabilities  | 15    | 144,616,621  | 250,052,160 | 137,252,397 |
| Current tax liabilities       | 6 (b) | 167,096      | 336,975     | -           |
| Provisions                    | 16    | 50,702,253   | 39,225,142  | 36,397,096  |
| TOTAL CURRENT LIABILITIES     |       | 345,698,888  | 431,572,892 | 275,954,674 |
| -----                         |       |              |             |             |
| NON-CURRENT LIABILITIES       |       |              |             |             |
| Payables                      | 14    | 26,807,256   | 1,134,803   | 26,413,382  |

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|                                       |    |              |             |              |
|---------------------------------------|----|--------------|-------------|--------------|
| Provisions                            | 16 | 8,561,903    | 9,999,996   | 4,946,604    |
| TOTAL NON-CURRENT LIABILITIES         |    | 35,369,159   | 11,134,799  | 31,359,986   |
| TOTAL LIABILITIES                     |    | 381,068,047  | 442,707,691 | 307,314,660  |
| NET ASSETS                            |    | 228,793,633  | 203,687,518 | 259,644,046  |
| =====                                 |    |              |             |              |
| PARTNERS' EQUITY                      |    |              |             |              |
| Contributed equity                    | 18 | 317,675,137  | 200,000,000 | 317,675,137  |
| Reserves                              | 19 | 9,220,023    | 9,463,977   | 11,409,810   |
| Retained profits/(accumulated losses) | 20 | (98,587,215) | (6,389,238) | (69,440,901) |
| TOTAL PARTNERS' EQUITY                |    | 228,307,945  | 203,074,739 | 259,644,046  |
| Outside equity interest               | 21 | 485,688      | 612,779     | -            |
| TOTAL PARTNERS' EQUITY                |    | 228,793,633  | 203,687,518 | 259,644,046  |
| =====                                 |    |              |             |              |

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 8 to 28

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Statement of Cash Flows

For the year ended 30th June 2001

|   | Notes  | Consolidated                        |                                     |              |
|---|--------|-------------------------------------|-------------------------------------|--------------|
|   |        | 2001<br>\$<br>Inflows<br>(Outflows) | 2000<br>\$<br>Inflows<br>(Outflows) |              |
| -----   |        |                                     |                                     |              |
| Cash flows from operating activities                  |        |                                     |                                     |              |
| Cash receipts in the course of operations             |        | 797,250,016                         | 933,135,755                         | 4            |
| Cash payments in the course of operations             |        | (810,226,386)                       | (879,160,826)                       | (4)          |
| Interest received                                     |        | 1,442,101                           | 97,639                              |              |
| Borrowing costs paid                                  |        | (19,316,863)                        | (13,937,731)                        | (            |
| Income taxes (paid)/refunded                          | 6 (b)  | 1,960,747                           | (8,428,895)                         |              |
| Net cash provided by/(used in) operating activities   |        | 30 (c)                              | (28,890,385)                        | 31,705,942   |
| -----   |        |                                     |                                     |              |
| Cash flows from investing activities                  |        |                                     |                                     |              |
| Proceeds on disposal of property, plant and equipment |        | 34,493,521                          | 2,450,608                           |              |
| Payments for businesses, (net of cash acquired)       | 30 (b) | (85,200)                            | (8,981,735)                         |              |
| Payments for property, plant and equipment            |        | (15,637,266)                        | (24,256,706)                        | (            |
| Net cash provided by/(used in) investing activities   |        |                                     | 18,771,055                          | (30,787,833) |
| -----   |        |                                     |                                     |              |

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|  |                   |             |
|--|-------------------|-------------|
| Cash flows from financing activities   |                   |             |
| Proceeds from partner contributions  | 117,675,137       | -           |
| Proceeds from borrowings   | -                 | -           |
| Repayment of borrowings  | (103,363,095)     | (102,672)   |
| Finance lease payments   |                   | (336,189)   |
| Dividends paid   | (30,990)          | (7,276,000) |
| <hr style="border-top: 1px dashed black;"/>  |                   |             |
| Net cash provided by/(used) in financing activities                                      | 14,281,052        | (7,714,861) |
| <hr style="border-top: 1px dashed black;"/>  |                   |             |
| Net increase/(decrease) in cash held   | 4,161,722         | (6,796,752) |
| Cash at the beginning of the financial year  | 9,831,097         | 16,857,003  |
| Effects of exchange rate fluctuations on the balances of cash held in foreign currencies | 177,883           | (229,154)   |
| <hr style="border-top: 1px dashed black;"/>  |                   |             |
| Cash at the end of the financial year  | 30 (a) 14,170,702 | 9,831,097   |
| <hr style="border-top: 1px dashed black;"/>  |                   |             |

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 8 to 28

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### Notes to the Financial Statements

---

#### 1. Statement Of Significant Accounting Policies

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

##### (a) Basis of preparation

In accordance with Section 11 of the Partnership Agreement, South Pacific Tyres ("the partnership") is required to prepare a financial report as if it were a public company under the provisions of the Corporations Act 2001.

In the opinion of the directors, the partnership is not a reporting entity. The financial report of the partnership has been drawn up as a special purpose financial report for distribution to the members and for the purpose of fulfilling the requirements of the Corporations Act 2001.

The financial report 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 that have a material effect with the following exceptions:

- (i) AASB 1005 Financial Reporting by Segments
- (ii) AASB 1017 Related Party Disclosures
- (iii) AASB 1028 Accounting for Employee Entitlements (disclosure requirements only)

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy,

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are consistent with those of the previous year.

### (b) Reclassification of financial information

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised standards AASB 1018 Statement of Financial Performance, AASB 1034 Financial Report Presentation and Disclosures and the new AASB 1040 Statement of Financial Position.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing retained profits from the face of the statement of financial performance to Note 20.

Revenue and expense items previously disclosed as abnormal have been reclassified and are now disclosed as individually significant items in Note 4. These items are no longer identified separately on the face of the statement of financial performance.

The following assets and liabilities have been removed from previous classifications and are now disclosed as separate line items on the face of the statement of financial position:

- deferred tax assets, previously presented within other non-current assets
- current tax liabilities, previously presented within current provisions
- deferred tax liabilities, previously presented within non-current provisions.

### (c) Principles of consolidation

#### Controlled entities

The financial statements of controlled entities are included from the date control commences until the date control ceases.

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

SPT Statutory Accounts 30/06/2001

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## Notes to Financial Statements

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### 1. Statement Of Significant Accounting Policies (continued)

#### (c) Principles of consolidation (continued)

##### Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

#### (d) Revenue recognition - Note 3

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

##### Sale of goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the goods passes to the customer.

##### Rendering of services

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Revenue from rendering services is recognised when the service has been completed.

### Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

### Other revenue

Supply agreement revenue relating to tyre purchasing commitments is recognised at the date of the agreement with the supplier.

### Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal. Any related balance in the asset revaluation reserve is transferred to the capital profits reserve on disposal.

### (e) 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 current liability in the statement of financial position.

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.

### (f) 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 statement of financial performance in the financial year in which the exchange rates change.

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## Notes to the Financial Statements

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### 1. Statement Of Significant Accounting Policies (continued)

#### (f) Foreign currency (continued)

##### Translation of controlled foreign entities

The assets and liabilities of foreign operations that are self-sustaining are

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translated at the rates of exchange ruling at balance date. Equity items are translated at historical rates. The statements of financial performance 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 foreign operation that is disposed of, or partially disposed of, is transferred to retained earnings in the year of disposal.

### (g) Derivatives

The consolidated entity is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. 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.

### Hedges

#### Anticipated transactions

Where transactions are designated as a hedge of the purchase or sale of goods or services, purchase of qualifying assets, or an interest transaction, gains and losses on the hedge arising up to the date of the transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the transaction when it has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the statement of financial performance.

The net amounts receivable or payable under open swaps and forward rate agreements and the associated deferred gains or losses are not recorded in the statement of financial position until the hedge transaction occurs. The net receivables or payables are then revalued using the foreign currency and interest rates current at reporting date. Refer to Note 22.

#### Other hedges

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

### (h) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings and finance lease charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

### (i) Taxation - Note 6

#### Partnership

Income tax is not provided for in the financial statements of South Pacific Tyres, as the partnership does not pay tax. The partners are taxable in their individual capacities on their share of the net partnership income.

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### Notes to the Financial Statements

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#### 1. Statement Of Significant Accounting Policies (continued)

##### (i) Taxation - Note 6 (continued)

###### Controlled entities

The controlled entities adopt 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 the items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position 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 their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

##### (j) Accounting for acquisitions

Acquired businesses are accounted for on the basis of the cost method. Fair values are assigned at the date of acquisition to all the identifiable underlying assets acquired and to the liabilities assumed. Specific assessment is undertaken at the date of acquisition of any additional costs to be incurred.

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 the business, is amortised to the statement of financial performance using the following criteria:

| Goodwill Acquired | Write-Off Period  |
|-------------------|---|
| Up to \$1.25m     | Written off over 5 years in equal instalments, but at a rate of not less than \$250,000 pa      |
| \$1.25m to \$10m  | Written off over 20 years on a straight line basis, but at a rate of not less than \$250,000 pa |

The unamortised balance of goodwill is reviewed at least annually. Where the balance exceeds the value of expected future benefits, the difference is charged to the statement of financial performance.

##### Research and development costs

Research and development expenditure is expensed as incurred.

##### Subsequent additional costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

##### (k) Revisions of accounting estimates

Revisions of accounting estimates are recognised prospectively in current and future periods only.

##### (l) Receivables - Note 8

The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

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### Trade debtors

Trade debtors to be settled within agreed terms are carried at amounts due.

### (m) Inventories - Note 9

Inventories are carried at the lower of cost and net realisable value. Costs include direct materials, direct labour, other direct variable costs and allocated production overheads necessary to bring inventories to their present location and condition, based on normal operating capacity of the production facilities.

### Manufacturing activities

The cost of manufacturing inventories and work-in-progress are assigned on a first-in, first-out basis. Costs arising from exceptional wastage are expensed as incurred.

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## Notes to the Financial Statements

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### 1. Statement Of Significant Accounting Policies (continued)

#### (m) Inventories - Note 9 (continued)

##### Net realisable value

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

#### (n) Investments - Note 11

Investments in controlled entities are carried in the financial statements of the partnership at the lower of cost and recoverable amount.

#### (o) Leased assets

Leases under which the partnership 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. Lease liabilities are reduced by the repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

##### Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Also refer to Note 23.

#### (p) Recoverable amount of non-current assets valued on cost basis

The carrying amount of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets. In



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

### (q) Depreciation and amortisation

#### Complex assets

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets, and are separately depreciated.

#### Useful lives

All non-current assets have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives.

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

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

The depreciation/amortisation rates used for each class of asset are as follows:

|  | 2001        | 2000        |
|--|-------------|-------------|
| [X] Freehold buildings                   | 2.50%       | 2.50%       |
| [X] Leasehold buildings and improvements | 2.5%-40%    | 2.5%-40%    |
| [X] Plant and equipment                  | 6.7%-33.33% | 6.7%-33.33% |
| [X] Leased plant and equipment           | 15%-20%     | 15%-20%     |

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## Notes to the Financial Statements

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### 1. Statement Of Significant Accounting Policies (continued)

#### (r) Payables - Note 14

Liabilities are recognised for the amounts to be paid in the future for goods or services received. Trade accounts payable are settled within agreed terms.

#### (s) Interest bearing liabilities - Note 15

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in "Other creditors and accruals".

#### (t) Employee entitlements

Wages, salaries, annual leave and sick leave

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided up to the balance date, calculated at undiscounted amounts based on current wages and salary rates including related on-costs. Related on-costs are recorded in trade creditors.

#### 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 resulting from employees' services provided to reporting date.

The provision is calculated using the estimated future increases in wage and

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salary rates including related on-costs and expected settlement dates based on turnover history and 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.

### Superannuation plan

The partnership and other controlled entities contribute to various defined benefit and accumulation superannuation plans. Contributions are charged against income as they are made, as set out in Note 26.

### (u) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, except where noted below.

### Restructuring

Provisions for restructuring are only recognised when a detailed plan has been approved and the restructuring has either commenced or been publicly announced. Costs related to ongoing activities are not provided for.

### Surplus leased premises

Provision is made for rentals payable on 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 either the premises are not occupied, are being sub-leased for lower rentals than the consolidated entity pays or there will be no substantive benefits beyond a known future date. Any necessary provision is calculated on the basis of discounted net future cash flows, using the interest rate implicit in the lease or an estimate thereof.

## 2. Change in Accounting Policy

### Revaluation of non-current assets

The standard requires each class of non-current asset to be measured on either the cost or fair value basis. AASB 1041 does not apply to inventories, foreign currency monetary assets, goodwill, investments accounted for using the equity method, deferred tax assets and other assets measured at net market value where the market value movements are recognised in the statement of financial performance. The partnership has applied revised AASB 1041 as follows:

### Freehold land and buildings

The partnership has adopted the deemed cost basis for measuring land and buildings.

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## Notes to the Financial Statements

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## 2. Change in Accounting Policy (continued)

### Other non-current assets

The partnership has continued to apply the cost basis for other applicable non-current assets such as receivables, other financial assets and plant and equipment.

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3. Revenue from ordinary activities

|   | 2001<br>\$m | Consolidated<br>2000<br>\$m | 1999<br>\$m | 2001<br>\$m |
|---|-------------|-----------------------------|-------------|-------------|
| Sale of goods revenue from operating activities         | 774,668,166 | 871,392,335                 | 889,212,814 | 483,486,879 |
| Rendering of services revenue from operating activities | 59,426,109  | 63,415,235                  | 61,948,854  | -           |
| Other revenue from operating activities                 |             |                             |             |             |
| Dividends:  |             |                             |             |             |
| Associated entities                                     | -           | -                           | -           | -           |
| Other parties   | -           | -                           | -           | -           |
| Interest:   |             |                             |             |             |
| Controlled entities                                     | -           | -                           | -           | 4,141,000   |
| Associated entities                                     | 969,471     | 4,433                       | 29,477      | 969,471     |
| Other parties   | 472,630     | 93,206                      | 153,384     | 363,101     |
| Revenues from outside operating activities              |             |                             |             |             |
| Gross proceeds from sale of non-current assets          | 34,493,521  | 2,450,608                   | 1,501,898   | 31,350,563  |
| Supply agreement consideration                          | 25,000,000  | -                           | -           | 25,000,000  |
| Insurance proceeds received                             | -           | 1,843,775                   | 4,300,000   | -           |
| Total other revenue                                     | 60,935,622  | 4,392,022                   | 5,984,759   | 61,824,135  |
| Total revenue from ordinary activities                  | 895,029,897 | 939,199,592                 | 957,146,427 | 545,311,014 |

4. Profit from ordinary activities before income tax expense

|  | Consolidated |            |             | Partne       |            |
|--|--------------|------------|-------------|--------------|------------|
|  | 2001<br>\$   | 2000<br>\$ | 1999<br>\$m | 2001<br>\$   | 2001<br>\$ |
| (a) Individually significant expenses/(revenues) included in profit from ordinary activities before income tax expense |              |            |             |              |            |
| Closure of radial truck tyre factory   | 51,325,856   | -          | -           | 51,325,856   | -          |
| Supply agreement consideration   | (25,000,000) | -          | -           | (25,000,000) | -          |
| Overhead reduction programme   | 6,000,000    | -          | -           | 5,267,121    | -          |
| GST Implementation costs   | -            | 906,342    | -           | -            | 906,342    |
|  | 32,325,856   | 906,342    | -           | 31,592,977   | 906,342    |

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Notes to the Financial Statements

4. Profit from ordinary activities before income tax expense (continued)

|  | Consolidated |             |             |       |
|--|--------------|-------------|-------------|-------|
|  | 2001         | 2000        | 1999        | 20    |
|  | \$           | \$          | \$m         | \$    |
| (b) Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items |              |             |             |       |
| Cost of goods sold   | 638,908,006  | 679,736,099 | 663,624,006 | 503,8 |
| Depreciation of:   |              |             |             |       |
| Buildings  | 231,770      | 342,315     | 344,879     | 1     |
| Plant and Equipment  | 33,609,742   | 36,248,232  | 33,391,059  | 24,1  |
|  | 33,841,512   | 36,590,547  | 33,735,938  | 24,2  |
| Amortisation of:   |              |             |             |       |
| Leasehold land and buildings   | 1,266,474    | 1,289,452   | 1,291,961   | 1,0   |
| Leased plant and equipment   | -            | 135,687     | 388,331     |       |
| Goodwill   | 916,281      | 1,322,848   | 1,120,120   |       |
| Capitalised interest   | 575,094      | 1,150,188   | 1,150,188   | 5     |
|  | 2,757,849    | 3,898,175   | 3,950,600   | 1,6   |
| Total depreciation and amortisation  | 36,599,361   | 40,488,722  | 37,686,538  | 25,9  |
| Borrowing costs  |              |             |             |       |
| Associated Entities  | 1,183,238    | 68,017      | 31,568      | 1,1   |
| Bank loans and overdrafts  | 15,156,976   | 15,764,117  | 14,374,681  | 14,1  |
| Finance charges on capitalised leases  | -            | 15,916      | 71,059      |       |
| Total borrowing costs  | 16,340,214   | 15,848,050  | 14,477,308  | 15,3  |
| Research and development expenditure   |              |             |             |       |
| Capitalised and written off  | 2,771,437    | 2,400,000   | 2,400,000   | 2,7   |
| Net bad and doubtful debts expense including movements in provision for doubtful debts   | 3,577,421    | 2,250,489   | 1,427,188   | 1     |
| Net expense for movements in provision for:  |              |             |             |       |
| Employee entitlements  | 26,369,314   | 27,385,170  | 25,565,689  | 14,5  |
| Rationalisation and restructuring costs  | 7,400,000    | -           | -           | 7,4   |
| Rebates, allowances and warranty claims  | 16,554,727   | 9,709,528   | 28,119,307  |       |
| Net foreign exchange (gain)/loss:  |              |             |             |       |
| Borrowings   | 82,387       | 60,365      | 209,370     |       |
| Net (gain)/loss on disposal of non-current assets:   |              |             |             |       |
| Property plant & equipment   | 4,151,257    | (380,928)   | 565,291     | 4,5   |
| Operating lease rental expense   |              |             |             |       |
| Minimum lease payments   | 30,721,754   | 31,010,933  | 28,153,677  | 3,4   |

5. Auditors' Remuneration

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|                                | Consolidated |         |         |    |
|--------------------------------|--------------|---------|---------|----|
|                                | 2001         | 2000    | 1999    | 20 |
|                                | \$           | \$      | \$m     | \$ |
| Audit Services                 |              |         |         |    |
| Auditors of the company - KPMG | 388,613      | 413,599 | 309,063 | 1  |
| For other Services             |              |         |         |    |
| Auditors of the company - KPMG | 9,988        | 16,249  | 9,517   |    |

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Notes to the Financial Statements

6. Taxation

|  | 2001         | Con |
|--|--------------|-----|
|  | \$           |     |
| (a) Income tax expense   |              |     |
| Prima facie income tax expense/(benefit) calculated at 34% (2000: 36% 1999: 36%) on the profit/(loss) from ordinary activities | (32,928,711) | (4  |
| Increase in income tax expense due to:   |              |     |
| Depreciation on buildings  | 67,305       |     |
| Amortisation of goodwill   | 311,536      |     |
| Sundry items   | 348,130      |     |
| Decrease in income tax expense due to:   |              |     |
| Tax exempt dividends from foreign companies  | (81,026)     |     |
| Effects of lower/higher rates of tax on overseas income  | 168          |     |
| Tax at standard rate on partnership profits attributed to partners   | (26,316,550) | (7  |
| Tax rebate on dividends from investments   |              |     |
| Sundry items   | 17,000       |     |
| Income tax expense/(benefit) on operating profit/(loss) before individually significant income tax items                       | (5,821,332)  | 3   |
| Individually significant income tax items:   |              |     |
| Restatement of deferred tax balances due to change in company tax rate   | 1,020,693    |     |
|  | (4,800,639)  | 4   |
| Add: Income tax under/(over) provided in prior year  | 7,599        |     |
| Income tax expense/(benefit) attributable to operating profit  | (4,793,040)  | 4   |
| Income tax expense/(benefit) attributable to operating profit is made up of:   |              |     |
| Current income tax provision   | (4,673,630)  | 1   |
| Under/(over) provision in prior year   | 7,599        |     |
| Changes in tax rates   | 1,020,693    |     |
| Future income tax benefit  | (1,147,702)  | 1   |
|  | (4,793,040)  | 4   |
| (b) Current tax liabilities  |              |     |
| Provision for current income tax   |              |     |

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|   |             |     |
|---|-------------|-----|
| Movements during the year:                            |             |     |
| Balance at the beginning of year                      | 336,975     | 3   |
| Other debtor tax receivable reclassified              | (3,059,756) | 3   |
| Income tax (paid)/received                            | 1,960,747   | (8) |
| Under provision in prior year                         | 659,116     |     |
| Current year's income tax expense on operating profit | (4,673,630) | 1   |
| Tax loss transferred to FITB                          | 4,943,644   |     |
|   | -----       |     |
|   | 167,096     |     |
|   | =====       |     |

(c) Deferred assets

|   |           |   |
|---|-----------|---|
| Future income tax benefit   |           |   |
| Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2000 : 34%) on the following items: |           |   |
| Accumulated non-allowable provisions  | 4,534,967 | 3 |
| Accumulated tax losses  | 4,362,039 |   |
|   | -----     |   |
|   | 8,897,006 | 3 |
|   | =====     |   |

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Notes to the Financial Statements

7. Cash assets

|   | Consolidated |            | Par     |
|---|--------------|------------|---------|
|   | 2001         | 2000       | 2001    |
|   | \$           | \$         | \$      |
| Cash  | 9,531,203    | 13,764,042 | 7,0     |
| Bank short term deposits, maturing daily and paying interest at a weighted average interest rate of 5.3% (2000 : 5.6% ) | 9,500,000    | 3,000,000  | 9,500,0 |
|   | -----        | -----      | -----   |
|   | 19,031,203   | 16,764,042 | 9,507,0 |
|   | =====        | =====      | =====   |

8. Receivables

|  |             |             |           |
|--|-------------|-------------|-----------|
| Current  |             |             |           |
| Trade debtors  | 144,342,429 | 151,167,149 | 32,347,7  |
| Less : Provision for doubtful trade debtors                  | 2,978,136   | 2,044,584   | 7,2       |
| Less : Provision for rebates, allowances and warranty claims | 6,236,155   | 6,844,271   |           |
|  | -----       | -----       | -----     |
|  | 135,128,138 | 142,278,294 | 32,340,5  |
| Amounts owing by controlled entities                         | -           | -           | 121,569,1 |
| Other debtors  | 9,729,633   | 12,256,307  | 7,437,7   |
|  | -----       | -----       | -----     |
|  | 144,857,771 | 154,534,601 | 161,347,4 |
| Non-current  |             |             |           |

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|   |             |             |           |
|---|-------------|-------------|-----------|
| Other receivables from controlled entities and owners | 29,091,771  | 3,028,266   | 56,622,7  |
|   | -----       | -----       | -----     |
|   | 173,949,542 | 157,562,867 | 217,970,1 |
|   | =====       | =====       | =====     |

Other receivable amounts generally arise from transactions outside the usual operating activity of the consolidated entity.

9. Inventories

|   |             |             |           |
|---|-------------|-------------|-----------|
| Current                                 |             |             |           |
| Raw materials and stores at cost        | 8,586,621   | 11,169,258  | 7,171,1   |
| Less : Provision for stock obsolescence | 687,974     | -           | 687,9     |
|   | -----       | -----       | -----     |
| Raw materials and stores                | 7,898,647   | 11,169,258  | 6,483,1   |
|   | -----       | -----       | -----     |
| Work in progress at cost                | 10,049,660  | 12,190,619  | 10,036,4  |
| Less : Provision for stock obsolescence | -           | 376,870     |           |
|   | -----       | -----       | -----     |
| Work in progress                        | 10,049,660  | 11,813,749  | 10,036,4  |
|   | -----       | -----       | -----     |
| Finished goods at cost                  | 146,653,991 | 133,186,303 | 110,174,8 |
| Less : Provision for stock obsolescence | 3,148,426   | 831,246     | 3,000,0   |
|   | -----       | -----       | -----     |
| Finished goods                          | 143,505,565 | 132,355,057 | 107,174,8 |
|   | -----       | -----       | -----     |
| Other stocks at cost                    | 6,482,468   | 8,608,902   | 6,385,2   |
| Less : Provision for stock obsolescence | 689,807     | 436,881     | 686,8     |
|   | -----       | -----       | -----     |
| Other stocks                            | 5,792,661   | 8,172,021   | 5,698,4   |
|   | -----       | -----       | -----     |
|   | 167,246,533 | 163,510,085 | 129,392,9 |
|   | =====       | =====       | =====     |

10. Other current assets

|             |           |           |       |
|-------------|-----------|-----------|-------|
| Prepayments | 2,521,577 | 7,481,840 | 147,3 |
|             | -----     | -----     | ----- |

11. Other financial assets

|                                    |       |       |          |
|------------------------------------|-------|-------|----------|
| Non-current                        |       |       |          |
| Investments in controlled entities |       |       |          |
| Unlisted shares at cost            | -     | -     | 21,496,2 |
|                                    | ----- | ----- | -----    |
|                                    | -     | -     | 21,496,2 |
|                                    | ----- | ----- | -----    |

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12. Property, plant and equipment

|  | Consolidated  |               | Par           |
|--|---------------|---------------|---------------|
|  | 2001          | 2000          | 2001          |
|  | \$            | \$            | \$            |
| Freehold land  |               |               |               |
| At cost  | 3,350,000     | -             | 609,000       |
| Independent valuation 1997   | -             | 4,580,000     |               |
|  | 3,350,000     | 4,580,000     | 609,000       |
| Freehold buildings   |               |               |               |
| At cost  | 12,644,461    | 283,554       | 8,362,300     |
| Accumulated depreciation   | (1,105,417)   | (11,120)      | (627,100)     |
|  | 11,539,044    | 272,434       | 7,735,200     |
| Independent valuation 1997   | -             | 13,518,015    |               |
| Accumulated depreciation   | -             | (976,231)     |               |
|  | -             | 12,541,784    |               |
|  | 11,539,044    | 12,814,218    | 7,735,200     |
| Leasehold land and buildings   |               |               |               |
| At cost  | 57,359,594    | 4,126,604     | 54,525,100    |
| Accumulated depreciation   | (5,634,349)   | (2,033,238)   | (3,665,500)   |
|  | 51,725,245    | 2,093,366     | 50,859,600    |
| Independent valuation 1997   | -             | 53,185,698    |               |
| Accumulated depreciation   | -             | (2,562,169)   |               |
|  | -             | 50,623,529    |               |
|  | 51,725,245    | 52,716,895    | 50,859,600    |
| Plant and equipment  |               |               |               |
| At cost  | 400,274,271   | 478,297,045   | 286,379,700   |
| Accumulated depreciation   | (248,977,499) | (274,629,749) | (170,595,100) |
|  | 151,296,772   | 203,667,296   | 115,784,600   |
| Buildings and plant under construction   |               |               |               |
| At cost  | 14,837,434    | 17,803,033    | 13,456,600    |
| Total property, plant and equipment net book value   | 232,748,495   | 291,581,442   | 188,444,900   |
| Reconciliations  |               |               |               |
| Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below: |               |               |               |
| Freehold land  |               |               |               |
| Carrying amount at the beginning of year   | 4,580,000     | 4,580,000     | 609,000       |
| Additions  | -             | -             |               |
| Disposals  | (1,230,000)   | -             |               |



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|   |             |             |             |
|---|-------------|-------------|-------------|
| Carrying amount at the end of year        | 3,350,000   | 4,580,000   | 609,000     |
| -----                                     |             |             |             |
| Buildings                                 |             |             |             |
| Carrying amount at the beginning of year  | 12,814,218  | 12,957,752  | 7,839,700   |
| Currency conversion                       | (125,248)   | 123,058     |             |
| Additions                                 | 25,621      | 41,599      |             |
| Transfer from capital works in progress   | 28,895      | 34,124      |             |
| Transfer from related companies/divisions | (341)       | -           |             |
| Disposals                                 | (972,331)   | -           |             |
| Depreciation                              | (231,770)   | (342,315)   | (104,500)   |
| -----                                     |             |             |             |
| Carrying amount at the end of year        | 11,539,044  | 12,814,218  | 7,735,100   |
| -----                                     |             |             |             |
| Leasehold land and buildings              |             |             |             |
| Carrying amount at the beginning of year  | 52,716,895  | 53,832,087  | 51,758,800  |
| Additions                                 | -           | -           |             |
| Transfer from capital works in progress   | 302,772     | 188,809     | 156,300     |
| Disposals                                 | (27,948)    | (14,549)    |             |
| Depreciation                              | (1,266,474) | (1,289,452) | (1,055,600) |
| -----                                     |             |             |             |
| Carrying amount at the end of year        | 51,725,245  | 52,716,895  | 50,859,500  |
| -----                                     |             |             |             |

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Notes to the Financial Statements

12. Property, plant and equipment (continued)

|   | Consolidated |              | Particulars  |
|---|--------------|--------------|--------------|
|   | 2001         | 2000         | 2001         |
|   | \$           | \$           | \$           |
| -----                                     |              |              |              |
| Plant and equipment                       |              |              |              |
| Carrying amount at the beginning of year  | 203,667,295  | 208,653,030  | 163,555,400  |
| Currency conversion                       | (42,312)     | 43,960       |              |
| Acquired businesses/subsidiaries          | -            | 483,835      |              |
| Additions                                 | 76,744       | 148,930      |              |
| Transfer from leased to fixed assets      | -            | 100,655      |              |
| Transfer from capital works in progress   | 18,193,833   | 33,690,436   | 12,962,900   |
| Transfer from related companies/divisions | 547          | -            | (30,700)     |
| Disposals                                 | (36,414,499) | (2,055,130)  | (35,933,600) |
| Amortisation of capitalised interest      | (575,094)    | (1,150,188)  | (575,000)    |
| Depreciation                              | (33,609,742) | (36,248,232) | (24,194,300) |
| -----                                     |              |              |              |
| Carrying amount at the end of year        | 151,296,772  | 203,667,296  | 115,784,500  |
| -----                                     |              |              |              |
| Capital works in progress                 |              |              |              |
| Carrying amount at the beginning of year  | 17,803,033   | 26,931,518   | 14,984,900   |
| Additions                                 | 15,559,901   | 24,784,884   | 11,591,000   |
| Transfer to property, plant and equipment | (18,525,500) | (33,913,369) | (13,119,300) |
| -----                                     |              |              |              |
| Carrying amount at the end of year        | 14,837,434   | 17,803,033   | 13,456,600   |
| -----                                     |              |              |              |

13. Intangibles

|                          |             |             |
|--------------------------|-------------|-------------|
| Goodwill - at cost       | 7,546,103   | 7,421,324   |
| Accumulated amortisation | (2,078,779) | (1,099,996) |
|                          | 5,467,324   | 6,321,328   |

14. Payables

|                 |             |             |           |
|-----------------|-------------|-------------|-----------|
| Current         |             |             |           |
| Trade creditors | 144,000,065 | 141,618,505 | 102,296,4 |
| Other creditors | 136,276     | 340,110     | 8,6       |
|                 | 144,136,341 | 141,958,615 | 102,305,1 |
| Non-current     |             |             |           |
| Trade creditors | 936,640     | 1,112,817   | 542,7     |
| Other creditors | 25,870,616  | 21,986      | 25,870,6  |
|                 | 26,807,256  | 1,134,803   | 26,413,3  |
|                 | 170,943,597 | 143,093,418 | 128,718,5 |

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Notes to the Financial Statements

15. Interest bearing liabilities

|  | Consolidated |             | Par       |
|--|--------------|-------------|-----------|
|  | 2001         | 2000        | 2001      |
|  | \$           | \$          | \$        |
| Current  |              |             |           |
| Bank overdrafts - unsecured  | 4,860,501    | 6,932,945   | 2,496,2   |
| Bank loans repayable in A\$ - unsecured                              | 50,000,000   | 80,000,000  | 50,000,0  |
| Bills of exchange - unsecured  | 89,756,120   | 160,093,457 | 84,756,1  |
| Other loans repayable in A\$ - unsecured                             | -            | 3,025,758   |           |
|  | 144,616,621  | 250,052,160 | 137,252,3 |
| Financing arrangements   |              |             |           |
| The consolidated entity has access to the following lines of credit: |              |             |           |
| Total facilities available:  |              |             |           |
| Bank overdrafts  | 8,421,909    | 8,331,253   | 5,000,0   |

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|  |             |             |             |
|--|-------------|-------------|-------------|
| Commercial Bills                         | 90,500,000  | 160,500,000 | 85,000,000  |
| Bank loans                               | 50,000,000  | 80,000,000  | 50,000,000  |
| Money market line                        | 11,137,527  | 20,000,000  | 10,000,000  |
|  | 160,059,436 | 268,831,253 | 150,000,000 |
| Facilities utilised at balance date:     |             |             |             |
| Bank overdrafts                          | 2,332,579   | (1,373,968) | (237,800)   |
| Commercial bills                         | 90,000,000  | 160,500,000 | 85,000,000  |
| Bank loans                               | 50,000,000  | 80,000,000  | 50,000,000  |
| Money market line                        | (9,021,360) | (3,000,000) | (9,500,000) |
|  | 133,311,219 | 236,126,032 | 125,262,100 |
| Facilities not utilised at balance date: |             |             |             |
| Bank overdrafts                          | 6,089,330   | 9,705,221   | 5,237,800   |
| Commercial bills                         | 500,000     | -           | -           |
| Bank loans                               | -           | -           | -           |
| Money market line                        | 20,158,887  | 23,000,000  | 19,500,000  |
|  | 26,748,217  | 32,705,221  | 24,737,800  |

Interest on bank overdrafts is charged at prevailing market rates. The effective interest rates for all overdrafts as at 30 June 2001 is 8.75% (2000: 7.75%). All bank loans are denominated in Australian dollars. The bank loans amount in current liabilities comprises the portion of the consolidated entity's bank loan payable within one year. The effective interest rate on commercial bills and bank loans is 5.58% (2000: 6.27%).

16. Provisions

|                                   | Consolidated |            | Par        |
|-----------------------------------|--------------|------------|------------|
|                                   | 2001         | 2000       | 2001       |
|                                   | \$           | \$         | \$         |
| -----                             |              |            |            |
| Current                           |              |            |            |
| Employee entitlements             | 43,855,274   | 39,225,142 | 29,550,100 |
| Rationalisation and restructuring | 6,846,979    | -          | 6,846,900  |
|                                   | 50,702,253   | 39,225,142 | 36,397,000 |
| =====                             |              |            |            |
| Non-current                       |              |            |            |
| Employee entitlements             | 8,561,903    | 9,999,996  | 4,946,600  |
|                                   | 8,561,903    | 9,999,996  | 4,946,600  |
| =====                             |              |            |            |
| Number of employees               | 4,323        | 4,975      | 1,500      |

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Notes to the Financial Statements

17. Amounts payable/receivable in foreign currencies

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|   | Consolidated |           | Par     |
|---|--------------|-----------|---------|
|   | 2001         | 2000      | 2001    |
|   | \$           | \$        | \$      |
| -----   |              |           |         |
| The Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year-end exchange rates, are as follows: |              |           |         |
| United states dollars   |              |           |         |
| Amounts payable :   |              |           |         |
| Current   | 2,922,742    | 3,752,339 | 2,709,1 |
| Deutsche marks  |              |           |         |
| Amounts payable :   |              |           |         |
| Current   | 69,881       | -         | 69,8    |
| Euro dollar   |              |           |         |
| Amounts payable :   |              |           |         |
| Current   | 1,230,277    | 321,507   | 1,230,2 |
|   | -----        | -----     | -----   |
| Total   | 4,222,900    | 4,073,846 | 4,009,3 |
|   | =====        | =====     | =====   |

18. Contributed equity

Goodyear Tyres Pty Ltd

|   |             |             |           |
|---|-------------|-------------|-----------|
| Contributed equity at the beginning of year | 100,000,000 | 100,000,000 | 100,000,0 |
| Additional contributed equity               | 58,837,569  | -           | 58,837,5  |
|   | -----       | -----       | -----     |
| Contributed equity at the end of year       | 158,837,569 | 100,000,000 | 158,837,5 |
|   | =====       | =====       | =====     |

Pacific Dunlop Tyres Pty Ltd

|   |             |             |           |
|---|-------------|-------------|-----------|
| Contributed equity at the beginning of year | 100,000,000 | 100,000,000 | 100,000,0 |
| Additional contributed equity               | 58,837,568  | -           | 58,837,5  |
|   | -----       | -----       | -----     |
| Contributed equity at the end of year       | 158,837,568 | 100,000,000 | 158,837,5 |
|   | -----       | -----       | -----     |
|   | 317,675,137 | 200,000,000 | 317,675,1 |
|   | =====       | =====       | =====     |

19. Reserves

|                                  |             |             |          |
|----------------------------------|-------------|-------------|----------|
| Asset revaluation                | 12,561,891  | 12,420,308  | 11,409,8 |
| Foreign currency translation     | (3,341,868) | (2,956,331) |          |
|                                  | -----       | -----       | -----    |
|                                  | 9,220,023   | 9,463,977   | 11,409,8 |
|                                  | =====       | =====       | =====    |
| Movements during the year        |             |             |          |
| Asset revaluation reserve        |             |             |          |
| Balance at the beginning of year | 12,420,308  | 12,420,308  | 11,409,8 |
| Transferred to retained profits  | 141,583     | -           |          |
|                                  | -----       | -----       | -----    |
| Balance at the end of year       | 12,561,891  | 12,420,308  | 11,409,8 |

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|   |             |             |
|---|-------------|-------------|
| Foreign currency translation reserve  |             |             |
| Balance at the beginning of year  | (2,956,331) | (2,568,182) |
| Translation adjustment on assets and liabilities held in foreign currencies | (385,537)   | (388,149)   |
| Balance at the end of year  | (3,341,868) | (2,956,331) |

Nature and purpose of reserves

Asset revaluation

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets.

Foreign currency reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, the translation of transactions that hedge the Entity's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation. Refer to accounting policy Note 1(f).

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Notes to the Financial Statements

20. Retained profits/(accumulated losses)

|  | Consolidated |             | Par       |
|--|--------------|-------------|-----------|
|  | 2001         | 2000        | 2001      |
|  | \$           | \$          | \$        |
| -----  |              |             |           |
| Goodyear Tyres Pty Ltd   |              |             |           |
| -----  |              |             |           |
| Retained profits/(accumulated losses) at the beginning of year | (3,696,211)  | 7,761,523   | 3,478,7   |
| Net profit/(loss) attributable to partners                     | (46,028,197) | (7,819,734) | (38,700,8 |
| Amounts transferred from reserves                              | (70,792)     | -           |           |
| Distribution of profits to partners                            | -            | (3,638,000) |           |
| Retained profits/(accumulated losses) at the end of year       | (49,795,200) | (3,696,211) | (35,222,0 |
| -----  |              |             |           |
| Pacific Dunlop Tyres Pty Ltd                                   |              |             |           |
| -----  |              |             |           |
| Retained profits/(accumulated losses) at the beginning of year | (2,693,027)  | 8,764,707   | 4,481,9   |
| Net profit/(loss) attributable to partners                     | (46,028,197) | (7,819,734) | (38,700,8 |
| Amounts transferred from reserves                              | (70,791)     | -           |           |
| Distribution of profits to partners                            | -            | (3,638,000) |           |
| Retained profits/(accumulated losses) at the end of year       | (48,792,015) | (2,693,027) | (34,218,8 |
|  | (98,587,215) | (6,389,238) | (69,440,9 |
| =====  |              |             |           |

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21. Outside equity interest

|  | 2001<br>\$ | Consolidate<br>2000<br>\$ |
|--|------------|---------------------------|
| -----  |            |                           |
| Outside equity interest in controlled entities comprise:   |            |                           |
| Interest in retained profits at the beginning of the financial year after adjusting for outside equity interests in entities | 1,065,255  | 1,026,9                   |
| Interest in operating profit after income tax  | 285        | 38,3                      |
| Interest in dividends provided for or paid   | (30,990)   |                           |
|  | -----      | -----                     |
| Interest in retained profits at the end of the financial year  | 1,034,550  | 1,065,2                   |
| Interest in share capital  | 95,458     | 95,4                      |
| Interest in reserves   | (644,320)  | (547,9                    |
|  | -----      | -----                     |
| Total outside equity interest  | 485,688    | 612,7                     |
|  | =====      | =====                     |

22. Additional financial instruments disclosure

(a) Interest rate risk

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

Interest rate swaps and forward rate agreements

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

Each contract involves quarterly payment or receipt of the net amount of interest. At 30 June 2001 the fixed rates varied from 5.5% to 7.2% (2000: 7.2% to 7.3%) and floating rates were at bank bill rates plus the consolidated entity's credit margin. The weighted average effective floating interest rate at 30 June 2001 was 6.3% (2000: 5.9%).

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Notes to the Financial Statements

22. Additional financial instruments disclosure (continued)

Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

| Weighted<br>Average<br>Interest | Floating<br>interest | Fixed interest maturity in: |                   |                |
|---------------------------------|----------------------|-----------------------------|-------------------|----------------|
|                                 |                      | 1 year                      | Over<br>1 year to | More<br>than 5 |

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| 2001                         | Note | Rate  | rate         | or less    | 5 years    | years    |
|------------------------------|------|-------|--------------|------------|------------|----------|
| <b>Financial assets</b>      |      |       |              |            |            |          |
| Cash                         | 7    | 5.30% | 18,919,043   |            |            |          |
| Receivables                  | 8    | -     |              |            |            |          |
|                              |      |       | 18,919,043   |            |            |          |
| <b>Financial liabilities</b> |      |       |              |            |            |          |
| Bank overdrafts and loans    | 15   | 5.80% | 144,616,621  |            |            |          |
| Accounts payable             | 14   | -     |              |            |            |          |
| Employee entitlements        | 16   | 3.00% |              | 43,855,274 | 5,435,984  | 3,125,91 |
|                              |      |       | 144,616,621  | 43,855,274 | 5,435,984  | 3,125,91 |
| Interest rate swaps          |      |       | (40,000,000) | 20,000,000 | 20,000,000 |          |
| <b>2000</b>                  |      |       |              |            |            |          |
| <b>Financial assets</b>      |      |       |              |            |            |          |
| Cash                         | 7    | 5.60% | 16,647,959   |            |            |          |
| Receivables                  | 8    | -     |              |            |            |          |
|                              |      |       | 16,647,959   | -          | -          |          |
| <b>Financial liabilities</b> |      |       |              |            |            |          |
| Bank overdrafts and loans    | 15   | 6.40% | 247,026,402  |            |            |          |
| Accounts payable             | 14   | -     |              |            |            |          |
| Employee entitlements        | 16   | 3.00% |              | 39,255,142 | 5,593,163  | 4,406,83 |
|                              |      |       | 247,026,402  | 39,255,142 | 5,593,163  | 4,406,83 |
| Interest rate swaps          |      |       | (40,000,000) | 20,000,000 | 20,000,000 |          |

(b) Foreign Exchange Risk

The consolidated entity enters into forward foreign exchange contracts to hedge foreign currency purchases expected in each month within the following six months within Board approval limits. The amount of anticipated future purchases and sales are forecast in light of current conditions in foreign markets, commitments from customers and experience.

Notes to the Financial Statements

22. Additional financial instruments disclosure (continued)

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

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|   | 2001<br>Average rate | 2000  | 2001<br>\$ |
|---|----------------------|-------|------------|
| Buy US Dollars                                      |                      |       |            |
| Not later than one year                             | 0.51                 | 0.60  | 11,86      |
| Later than one year but not later than two years    |                      |       |            |
| Later than two years but not later than three years |                      |       | 11,86      |
| Buy EURO dollars                                    |                      |       |            |
| Not later than one year                             | 0.60                 | 0.63  | 4,44       |
| Later than one year but not later than two years    |                      |       |            |
| Later than two years but not later than three years |                      |       | 4,44       |
| Buy Japanese yen                                    |                      |       |            |
| Not later than one year                             | 62.42                | 61.75 | 55         |
| Later than one year but not later than two years    |                      |       |            |
| Later than two years but not later than three years |                      |       | 55         |
| Buy English pound                                   |                      |       |            |
| Not later than one year                             | 0.36                 | -     | 16         |
| Later than one year but not later than two years    |                      |       |            |
| Later than two years but not later than three years |                      |       | 16         |

As these contracts are hedging anticipated purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be deferred and then recognised in the financial statements at the time the underlying transaction occurs as designated. The gross deferred gains and losses on hedges of anticipated foreign currency purchases are:

|   | 2001        |              | Consolidated |
|---|-------------|--------------|--------------|
|   | Gains<br>\$ | Losses<br>\$ | Gains<br>\$  |
| Not later than one year                             | 130,010     | -            |              |
| Later than one year but not later than two years    | -           | -            |              |
| Later than two years but not later than three years | -           | -            |              |

When the underlying transaction has occurred as designated, the effect of the hedge has been recognised in the financial statements.

(c) Commodity price risk



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The consolidated entity enters into futures contracts to hedge (or hedge a proportion of ) commodity purchase prices on anticipated specific purchase commitments of natural rubber. The terms of these contracts are rarely more than one year. There were no contracts outstanding at year end (2000: \$982,528).

As these contracts are hedging anticipated future purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the measurement of the underlying purchase commitment. The net unrecognised loss on hedges of anticipated future commodity purchase contracts as at 30 June 2001 was \$Nil (2000: \$193,646)

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### Notes to the Financial Statements

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#### 22. Additional financial instruments disclosure (continued)

##### (d) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparts failed to perform as contracted.

##### Recognised Financial Instruments

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the statement of financial position, 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 and counterparties in various countries.

The consolidated entity is not materially exposed to any individual overseas country or individual customer. Concentrations of credit risk on trade debtors and term debtors due from customers are the motor vehicle and transport industries.

##### Unrecognised Financial Instruments

Credit risk on derivative contracts which have not been recognised on the statement of financial position is minimised as counterparts are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Interest rate swaps 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 the consolidated entity pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the consolidated entity as is disclosed at Note 22(b).

As all future contracts are transacted through a recognised futures exchange, there is no credit risk associated with these contracts.

##### (e) Net fair values of financial assets and liabilities

###### Valuation approach

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

##### Recognised Financial Instruments

The carrying amounts of bank term deposits, trade debtors, other debtors, bank

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overdrafts, accounts payable, bank loans and employee entitlements approximate net fair value.

### Unrecognised Financial Instruments

The valuation of financial instruments not recognised on the statement of financial position 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.

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### Notes to the Financial Statements

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#### 22. Additional financial instruments disclosure (continued)

##### Net fair values

##### Recognised Financial Instruments

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

|                           | 2001            | Consolidated   |                 |
|---------------------------|-----------------|----------------|-----------------|
|                           | Carrying amount | Net fair value | Carrying amount |
|                           | \$              | \$             | \$              |
| <hr/>                     |                 |                |                 |
| Financial assets          |                 |                |                 |
| Cash assets               | 19,031,203      | 19,031,203     | 16,764,0        |
| Receivables               | 173,949,542     | 173,949,542    | 157,562,8       |
| Financial liabilities     |                 |                |                 |
| Payables                  | 177,020,174     | 177,020,174    | 143,093,4       |
| Bank overdrafts and loans | 144,616,621     | 144,616,621    | 250,052,1       |
| Employee entitlements     | 52,417,177      | 52,417,177     | 49,225,1        |

##### Unrecognised Financial Instruments

The net fair value of financial instruments not recognised on the statement of financial position held at the reporting date are:

|   | 2001    | 2000      |  |
|---|---------|-----------|--|
|   | \$      | \$        |  |
| <hr/>   |         |           |  |
| Forward foreign exchange contracts gains/(losses) | 130,010 | (30,986)  |  |
| Futures commodity contracts                       | -       | (193,646) |  |
|   | <hr/>   | <hr/>     |  |
|   | 130,010 | (224,632) |  |
|   | <hr/>   | <hr/>     |  |

#### 23. COMMITMENTS

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|  | Consolidated |            | Pa     |
|--|--------------|------------|--------|
|  | 2001         | 2000       | 2001   |
|  | \$           | \$         | \$     |
| -----  |              |            |        |
| Capital expenditure commitments  |              |            |        |
| Plant  |              |            |        |
| Contracted but not provided for and payable within one year                                  | 3,443,409    | 2,924,713  | 3,443, |
|  | -----        | -----      | -----  |
|  | 3,443,409    | 2,924,713  | 3,443, |
|  | =====        | =====      | =====  |
| Lease commitments  |              |            |        |
| Operating lease expense commitments  |              |            |        |
| Future operating lease commitments not provided for in the financial statements and payable: |              |            |        |
| Within one year  | 24,943,656   | 23,145,222 | 45,    |
| One year or later and no later than five years   | 52,461,006   | 45,346,408 |        |
| Later than 5 years   | 11,994,208   | 10,091,396 |        |
|  | -----        | -----      | -----  |
|  | 89,398,870   | 78,583,026 | 45,    |
|  | =====        | =====      | =====  |

South Pacific Tyres leases property under non-cancellable operating leases expiring from one to ten years. Leases generally provide the company with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

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Notes to the Financial Statements

24. Contingent liabilities

There were no contingent liabilities as at 30 June 2001 and 30 June 2000

25. Related party transactions

The partnership from time to time has dealings with Pacific Dunlop Limited Group Companies and Goodyear Tire & Rubber Co. Group Companies.

Under the partnership agreement, South Pacific Tyres leases certain properties from Pacific Dunlop Limited and Goodyear Australia Limited (a wholly owned subsidiary of Goodyear Tire & Rubber Co.) on the basis of equitable rentals between the partners.

The amounts of these transactions are detailed below:

|  | Consolidated |         |
|--|--------------|---------|
|  | 2001         | 2000    |
|  | \$           | \$      |
| -----                                      |              |         |
| Lease Payments                             |              |         |
| Pacific Dunlop Limited Group Companies     | 238,094      | 259,976 |
| Goodyear Tire & Rubber Co. Group Companies | 82,254       | 89,814  |

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On 20/12/2000, the partnership sold fixed assets to Goodyear and the proceeds from the sale of \$31.3m are payable in two years from the date of sale. Interest on the outstanding amount is charged at market rate and is payable quarterly in arrears.

On 29/12/2000, the partnership entered into a supply agreement whereby Goodyear will be (subject to certain conditions) the exclusive supplier of certain tyres for a period of ten years commencing 01/01/2001. The partnership will receive \$25.0m plus interest in consideration for this exclusivity of supply. The amount, although not receivable until 01/01/2003, has been recognised as indirect revenue in the current year.

On 20/12/2000, the partnership received a loan of \$56.3m from Pacific Dunlop Limited for a period of two years. Interest is charged at market rate and is payable quarterly in arrears.

In addition, the partnership has assigned the receivable from Goodyear for the proceeds due on the sale of fixed assets of \$31.3m noted above as partial settlement of the loan from Pacific Dunlop Limited.

|  | Con<br>2001<br>\$ |
|--|-------------------|
| -----  |                   |
| Interest brought to account by the partnership in relation to these loans during the year: |                   |
| Interest expense   | 848,63            |
| Interest revenue   | 848,63            |
| The amounts included in receivables and payables in relation to these loans are:           |                   |
| Non-current receivables  |                   |
| -----  |                   |
| Goodyear Tire & Rubber Co. Group Companies   | 25,848,63         |
| Non-current payables   |                   |
| -----  |                   |
| Pacific Dunlop Limited Group Companies   | 25,848,63         |

All other dealings with the above parties are on normal commercial terms and involve the purchase and/or supply of materials from/to both parties and the provision of forward exchange cover and commodity hedging by Pacific Dunlop Limited Group Companies.

Notes to the Financial Statements

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25. Related party transactions (continued)  
The amounts of these transactions are detailed below:

|  | Consolidated |           |
|--|--------------|-----------|
|  | 2001         | 2000      |
| Sale of goods and services             | \$           | \$        |
| -----                                  |              |           |
| Pacific Dunlop Limited Group Companies | 1,069,123    | 1,425,500 |

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|  |            |            |
|--|------------|------------|
| Goodyear Tire & Rubber Co. Group Companies | 1,651,599  | 22,530,154 |
| Purchase of goods and services             |            |            |
| <br>                                       |            |            |
| Pacific Dunlop Limited Group Companies     | 6,341,537  | 18,787,973 |
| Goodyear Tire & Rubber Co. Group Companies | 97,095,319 | 53,790,686 |

Details of interest received/paid to related parties are set out in Notes 3 & 4

The amounts included in receivables and payables in relation to South Pacific Tyres are set out in the notes to the financial statements and the amounts relating to the other parties are:

### Current receivables

-----

|  |         |           |
|--|---------|-----------|
| Pacific Dunlop Limited Group Companies     | 366,461 | 133,484   |
| Goodyear Tire & Rubber Co. Group Companies | 838,112 | 1,514,660 |

### Current payables

-----

|  |            |            |
|--|------------|------------|
| Pacific Dunlop Limited Group Companies     | 1,032,402  | 942,111    |
| Goodyear Tire & Rubber Co. Group Companies | 22,124,586 | 10,620,245 |

The names of each person holding the position of director of the company during the year were:

|             |               |
|-------------|---------------|
| Mr S Gibara | Mr E Rodia    |
| Mr R Tiekem | Mr H Pace     |
| Mr P Gay    | Mr R Chadwick |
| Mr J Rennie | Mr I Veal     |

At the time of holding the office of director of the company each director was an executive of the South Pacific Tyres partnership, and held the office of director of the company in order to discharge, in whole or in part, the duties as an executive officer of the partnership.

## 26. Superannuation commitments

### Employer Plans

The partnership and its controlled entities participate in a number of superannuation funds for employees.

| Fund   | Benefit Type                 | Basis of Contribution                | Date of last actual valuation |
|--|------------------------------|--------------------------------------|-------------------------------|
| Pacific Dunlop Superannuation Fund           | Defined benefit/accumulation | Balance of cost/Defined contribution | 1/07/1999                     |
| Pacific Dunlop Executive Superannuation Fund | Defined Benefit              | Balance of cost                      | 1/07/1999                     |

The liabilities of all superannuation funds are covered by the assets in the funds or by specific provisions created by the partnership or its controlled entities.

The partnership and its controlled entities are obliged to contribute to the superannuation funds as a consequence of Legislation or Trust Deeds. Legal enforceability is dependent on the terms of the Legislation and the Trust Deed.

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Notes to the Financial Statements

26 Superannuation commitments (continued)

Definitions

Balance of cost            The Group's contribution is assessed by the Actuary after taking into account the member's contribution and the value of assets.

Defined contribution    The Group's contribution is set out in the appropriate fund rules, usually as a fixed percentage of salary.

Industry/Union plans

The partnership participates in industry and union plans on behalf of certain employees. These plans operate on an accumulation basis and provide lump sum benefits for members on resignation, retirement or death.

The partnership has a legally enforceable obligation to contribute at varying rates to the plans.

27. Segment reporting

The principal activity of the group during the year was the manufacture and sale of motor vehicle and aircraft tyres in Australia and Papua New Guinea.

28. Particulars relating to controlled entities

Details of controlled entities, including the extent that each contributed to the period's result are given below:

|   | South Pacific Tyres | Tyre Marketers (Australia) Limited | Sacrt Trading Pty Ltd | South Pacific Tyres (PNG) Pty Ltd | Dunlop PNG Pty Ltd | Cons adju |
|---|---------------------|------------------------------------|-----------------------|-----------------------------------|--------------------|-----------|
| Place of Incorporation  |                     | Vic                                | Vic                   | PNG                               | PNG                |           |
| Beneficial Interest held by Partnership   |                     | 100%                               | 100%                  | 80%                               | 80%                |           |
| Class of shares   |                     | Ordinary                           | Ordinary              | Ordinary                          | Ordinary           |           |
| Book value of partnership's investment  |                     |                                    |                       |                                   |                    |           |
| 2001  |                     | 21,496,245                         |                       |                                   |                    |           |
| 2000  |                     | 21,496,245                         |                       |                                   |                    |           |
| Dividends received or receivable by partnership:  |                     |                                    |                       |                                   |                    |           |
| 2001  |                     |                                    |                       |                                   |                    |           |
| 2000  |                     |                                    |                       |                                   |                    |           |
| Dividends credited to investment account  |                     |                                    |                       |                                   |                    |           |
| 2001  |                     |                                    |                       |                                   |                    |           |
| 2000  |                     |                                    |                       |                                   |                    |           |
| Contribution to the consolidated profit after tax inclusive of abnormal items and after deducting the amount attributable to Outside Equity Interest: |                     |                                    |                       |                                   |                    |           |
| 2001  | (77,401,617)        | (17,107,153)                       | 217,544               | 12,315                            | (11,172)           | 2,        |

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2000 (19,452,389) 3,363,501 411,212 24,720 128,488

29. Events subsequent to balance date  
 Since the end of the financial year, the following matters or circumstances have arisen that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the consolidated entity.

A memorandum of understanding has been signed by the partners on issues regarding the future of the South Pacific Tyres Joint Venture, including the basis of future funding and opportunities for continuance or dissolution of the partnership. Agreement to give effect to the understandings in the memorandum is subject to completion of a definitive agreement and the approval of the boards of the partners.

Further on the 28/th/ September 2001, South Pacific Tyres announced details of major restructuring plans for its Australian tyre manufacturing operations. The restructure is aimed at turning around its recent poor performance to ensure its survival as a profitable competitive business. The key elements include:

- .. Closure of the Footscray factory over the period December 2001 through to March 2002, with a total of 440 redundancies;

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Notes to the Financial Statements

29 Events subsequent to balance date (continued)

- .. Reconfiguration of passenger tyre production to consolidate all current Somerton and Thomastown production of this category at the Somerton site by July 2002, with 380 redundancies and the closure of the Thomastown factory.
- .. Streamlining of some related corporate and executive level administration with the redundancy of 70 staff.

30. Notes to the statements of cash flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and investments in money market instruments net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

|                 | Consolidated |             | Partnership |             |
|-----------------|--------------|-------------|-------------|-------------|
|                 | 2001         | 2000        | 2001        | 2000        |
|                 | \$           | \$          | \$          | \$          |
| Cash assets     | 9,531,203    | 13,764,042  | 7,000       | 7,895       |
| Cash on deposit | 9,500,000    | 3,000,000   | 9,500,000   | 3,000,000   |
| Bank overdrafts | (4,860,501)  | (6,932,945) | (2,496,277) | (5,115,583) |

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14,170,702      9,831,097      7,010,723      (2,107,688)  
 =====

(b) Acquisition/disposal of businesses and entities

During both the 2000 and 2001 financial years the partnership purchased no businesses.

During the year the consolidated entity purchased 100% of businesses of which the details are as follows:

| Acquisitions of businesses       | Consolidated |            |
|----------------------------------|--------------|------------|
|                                  | 2001<br>\$   | 2000<br>\$ |
| Net assets acquired/disposed     |              |            |
| Property, plant and equipment    | 25,000       | 1,202,541  |
| Inventories                      | 7,000        | 632,584    |
| Other assets                     | -            | 1,105      |
| Prepayments                      | -            | 30,178     |
| Creditors                        | (9,077)      | (307,276)  |
| Other liabilities and provisions | -            | (121,573)  |
| Goodwill                         | 22,923       | 1,437,559  |
| Consideration                    | 62,277       | 7,544,176  |
| Cash paid/(received)             | 85,200       | 8,981,735  |
| Outflow/(inflow) of cash         |              |            |
| Cash consideration               | 85,200       | 8,981,735  |

Notes to the Financial Statements

30. Notes to the statements of cash flows (continued)

(c) Reconciliation of profit/(loss) from ordinary activities after income tax to net cash provided by operating activities

|  | Consolidated |              | Par<br>2001<br>\$ |
|--|--------------|--------------|-------------------|
|  | 2001<br>\$   | 2000<br>\$   |                   |
| Loss from ordinary activities after income tax                 | (92,056,109) | (15,601,165) | (77,401,61)       |
| Add/(less) items classified as investing/financing activities: |              |              |                   |
| (Profit)/loss on sale of non-current assets                    | 4,151,257    | (380,928)    | 4,583,06          |
| Add(less) non-cash items:                                      |              |              |                   |
| Amortisation   | 2,757,849    | 3,898,175    | 1,630,78          |



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|  |              |              |            |
|--|--------------|--------------|------------|
| Depreciation   | 33,841,512   | 36,590,547   | 24,298,91  |
| Amounts set aside to provisions  | 43,862,097   | 37,464,342   | 4,482,59   |
| (Decrease)/increase in income taxes payable  | (169,879)    | (3,503,294)  |            |
| Decrease/(increase) in future income tax benefit   | (5,723,401)  | 2,146,950    |            |
| Write-off bad trade debts  | 2,639,365    | 1,880,845    | 259,85     |
| <hr/>  |              |              |            |
| Net cash provided by operating activities before change in assets and liabilities  | (10,697,309) | 62,495,472   | (32,146,39 |
| <hr/>  |              |              |            |
| Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year: |              |              |            |
| (Increase)/decrease in receivables   | (36,514,319) | (1,782,612)  | (25,893,98 |
| (Increase)/decrease in inventories   | (3,729,448)  | (17,398,112) | (292,65    |
| (Increase)/decrease in prepayments   | 4,960,263    | (3,708,002)  | 1,029,88   |
| (Decrease)/increase in accounts payable  | 33,917,471   | 18,283,443   | 33,496,39  |
| (Decrease)/increase in provisions  | (16,330,296) | (26,735,090) | (4,672,16  |
| (Decrease)/increase in reserves  | (496,747)    | 550,843      |            |
| <hr/>  |              |              |            |
|  | (18,193,076) | (30,789,530) | 3,667,47   |
| <hr/>  |              |              |            |
| Net cash provided by / (used in) operating activities  | (28,890,385) | 31,705,942   | (28,478,91 |
| <hr/>  |              |              |            |

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Directors Declaration

In the opinion of the directors of South Pacific Tyres ("the partnership"):

- (a) the partnership is not a reporting entity;
- (b) the financial statements and notes, set out on pages 1 to 33 are in accordance with the Corporations Act 2001, as required by Section 11 of the Partnership Agreement, including:
  - (i) giving a true and fair view of the financial position of the partnership as at 30 June 2001 and of their performance, as represented by the results of its operations and their cash flows, for the year ended on that date, in accordance with the basis of accounting described in Note 1; and
  - (ii) complying with Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001; and
- (c) there are reasonable grounds to believe that the partnership will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

/s/ Robert W. Tieken

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Director

/s/ Philip R. Gay

-----  
Director

Independent Audit Report

To the partners of South Pacific Tyres

Scope

We have audited the financial report of South Pacific Tyres for the financial year end June 30, 2001, being a special purpose financial report consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes and the directors' declaration set out on pages 1 - 34. The financial report includes the consolidated financial statements of the consolidated entity, comprising the South Pacific Tyres Partnership (the "Partnership") and the entities it controlled at the end of the year or from time to time during the financial year. The Partnership's directors are responsible for the financial report. In accordance with Section 11 of the Partnership agreement, the Partnership is required to prepare a financial report as if it were a public company under the provisions of the Corporations Act 2001.

The directors have determined that the accounting policies used and described in Note 1 to the financial statements are appropriate to meet the requirements of the Corporations Act 2001 and the needs of the partners of the Partnership. We have conducted an independent audit of the financial report in order to express an opinion on it to the partners. No opinion is expressed whether the accounting policies used, and described in Note 1 to the financial statements, are appropriate to the needs of the partners.

The financial report has been prepared for distribution to the partners for the purpose of fulfilling the requirements of the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this report, or on the financial report to which it relates, to any person other than the partners, or for any purpose other than that for which it was prepared.

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 the basis of accounting described in Note 1 to the financial statements, so as to present a view which is consistent with our understanding of the Partnership's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows. These policies do not require the application of all accounting standards nor other mandatory professional reporting requirements in Australia.

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

Audit Opinion

In our opinion, the financial report of South Pacific Tyres is in accordance with:

- (a) the Australian Corporations Act 2001, including:
  - (i) giving a true and fair view of the Partnership's and consolidated entity's financial position as at June 30, 2001 and of their

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performance for the financial year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and

(ii) complying with AASB 1025 "Application of the Reporting Entity Concept and Other Amendments", AASB 1034 "Information to be Disclosed in the Financial Reports" other Accounting Standards to the extent described in Note 1 to the financial statements and the Corporations Regulations 2001; and

(b) mandatory professional reporting requirements to the extent described in Note 1 to the financial statements.

/s/ KPMG  
KPMG

P A Jovic  
Partner  
Melbourne this 31 October 2001