

Legend Corporation
Limited

Appendix 4E

Preliminary Final Report to the Australian Stock Exchange

| | |
|--|----------------------------|
| Name of Entity | LEGEND CORPORATION LIMITED |
| ACN | 102 631 087 |
| Financial Year Ended | 30 JUNE 2005 |
| Previous Corresponding Reporting Period | 30 JUNE 2004 |

Results for Announcement to the Market

| | \$'000 | Percentage increase /(decrease) over previous corresponding period | |
|---|------------------------------|--|--|
| Revenue from ordinary activities | 177,715 | Increase 43.0% | |
| Profit / (loss) from ordinary activities after tax attributable to members | 4,712 | Increase 81.1% | |
| Net profit / (loss) for the period attributable to members | 4,712 | Increase 81.1% | |
| Dividends (distributions) | Amount per security | Franking Percentage | |
| Final Dividend | - | - | |
| Interim Dividend | 1.5 cents | 100% | |
| Record date for determining entitlements to the dividends (if any) | 24 th August 2005 | | |
| Brief explanation of any of the figures reported above necessary to enable the figures to be understood: | | | |

**Legend Corporation
Limited**

Dividends

| | |
|---|---|
| Date the dividend is payable | 17 th October 2005 |
| Record date to determine entitlement to the dividend | 24 th August 2005 |
| Amount per security | 1.5 cents |
| Total dividend | \$1,032,491 |
| Amount per security of foreign sourced dividend or distribution | - |
| Details of any dividend reinvestment plans in operation | The dividend reinvestment plan is in operation for the dividend in accordance with previous ASX disclosure. |
| The last date for receipt of an election notice for participation in any dividend reinvestment plans | 24 th August 2005 |

NTA Backing

| | Current Period | Previous corresponding period |
|---|-----------------------|--------------------------------------|
| Net tangible asset backing per ordinary security | \$0.25 | \$0.20 |
| | | |

Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position

| |
|-----|
| Nil |
|-----|

**Legend Corporation
Limited**

Commentary on the Results for the Period

The earnings per security and the nature of any dilution aspects:
Refer Attached.

Returns to shareholders including distributions and buy backs:

Fully franked dividend of 1.5 cents per share will be paid on the 17th October 2005

Significant features of operating performance:
Refer Attached.

The results of segments that are significant to an understanding of the business as a whole:
Refer Attached.

Discussion of trends in performance:
Refer Attached.

Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified:

Nil

**Legend Corporation
Limited**

Audit Status

| | | | |
|---|-------------------------------------|--|--|
| This report is based on accounts to which one of the following applies: (Tick one) | | | |
| The accounts have been audited | <input checked="" type="checkbox"/> | The accounts have been subject to review | |
| The accounts are in the process of being audited or subject to review | <input type="checkbox"/> | The accounts have not yet been audited or reviewed | |
| If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification: | | | |
| N/A | | | |
| If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification: | | | |
| No dispute or qualification applicable. | | | |

Attachments Forming Part of Appendix 4E

| Attachment # | Details |
|--------------|----------------------|
| 1 | Financial Statements |
| | |
| | |

| | |
|--|--|
| Signed By (Director)  | |
| Print Name Timothy J King | |
| Date 15 August 2005 | |

LEGEND

Performance Technology

15th August 2005

Australian Stock Exchange Limited

Company Announcements

Exchange Plaza

Level 8, 2 The Esplanade

Perth WA 6000

Dear Sirs,

LEGEND EXCEEDS PROSPECTUS FORECAST & GROWS NPAT BY 80%

The Directors of Legend Corporation Limited ("Legend") are delighted to report an unaudited preliminary net operating profit after tax for the 12 months ended 30 June 2005 of \$4.7 million. This is an 80% increase on the previous corresponding period ending 30 June 2004.

This result exceeds the forecast of \$4.3 million specified in Legend's February 2004 IPO Prospectus.

The table below compares the 2005 results with the previous corresponding period:

| | Preliminary 30 June 2005 | Audited 30 June 2004 | % |
|---------|-----------------------------|-------------------------|------|
| Revenue | \$177.7m | \$124.3m | 43% |
| EBITDA | \$8.5m | \$5.0m | 69% |
| EBIT | \$7.3m | \$3.8m | 92% |
| NPBT | \$6.5m | \$3.0m | 116% |
| NPAT | \$4.7m | \$2.6m | 80% |

OUTSTANDING RATE OF GROWTH

Legend has grown its net profit after tax by some 80% in 2005. While Legend has consistently and rapidly grown its profit for many years, the Directors regard this result, driven by a strong operating environment, a rapidly expanding sales and distribution network, increased margins and the injection of working capital from the IPO proceeds, as outstanding.

A key driver behind the Company's record result was the efficient utilisation of the working capital received in the IPO, enabling Legend to continue to accelerate growth in existing and new markets.

OUTLOOK

The outlook for Legend's operating environment is very strong. In this environment, Legend's increased sales and distribution network and new Singapore production facility should ensure another year of very strong sales growth.

DIVIDEND

Dividends paid during 2005 in respect of profits for the 2004 Financial Year, totalled 1.5 cents per share fully franked. The Directors have recommended that an interim ordinary fully franked dividend of 1.5 cents per share be paid in October 2005.

Manufacturers and exporters of high performance information technology products

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Melbourne

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Clayton VIC 3168

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Facsimile (61) 3 9545 3970

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Legend (Australasia) Pty Ltd

ACN 006722 292

ABN 81006722 292

Legend Corporation Ltd

ACN 102631087

Singapore

Hong Kong

Taiwan

Slovakia

South Africa

www.legendmemory.com

OPERATING HIGHLIGHTS

Development by Region

Legend's business in home markets has continued to grow strongly through the year. Legend has rapidly developed its sales and distribution network, developing several existing and new Asean markets including:

- Hong Kong has expanded sales by almost 50%.
- Thailand sales and distribution has been established and shows strong growth
- Taiwan commenced business in June 05 and shows strong sales growth. Taiwan will also assist with local procurement for Legend production centers.
- In South Africa, Legend has taken over its former partner and has moved strongly to growth in sales with the support of many of our former joint venture employees and the addition of new sales in Cape Town.
- Singapore is currently moving to establish new administration, sales and production facilities to assist in the development of Asean regions. With the support of tax incentives from the local government and expected logistic advantages, Legend Corp foresees exceptional growth from Legend Singapore in the coming year.

Traditional Markets & Operations

Legend's sales in its traditional sales geographies of Australia, New Zealand and South Africa grew from \$92.6 million in 2004, to \$116.7 million in 2005.

Legend CEO Bradley Dowe said; "A 26% increase in sales in the mature markets should be extremely highly regarded and demonstrates the success of Legend's business model".

Products

Legend released a wide range of new products through the year. Highlights included an Australian and Southern Hemisphere first in the local manufacture of Secure Digital Flash Media as popularly used in Digital Cameras and the introduction of a number of aggressively marketed Digital SetTop box products allowing consumers to enjoy Digital TV reception on their existing analogue televisions or record digital broadcasts to a hard drive that can then be enjoyed later. Legend was presented with the global award for 'Best Design-In Partner 2005' by Hitachi Storage Products for its use of Hitachi hard disk drives in these setup top boxes.

MORE ABOUT LEGEND

Legend is a leading Australian electronics engineering and manufacturing company that designs, manufactures and distributes memory based products including memory modules and related products. Legend's operations extend throughout Australia, New Zealand, South Africa, Singapore, Hong Kong, Thailand, Taiwan and Europe. Legend was established in 1989 and commenced manufacturing operations in 1993. Legend has manufacturing facilities in Adelaide (South Australia) and is currently establishing new facilities in Singapore. Legend has a broad range of clients including Acer, Sony, Xerox, NEC and Dell, through to major Australian based computer systems integrators such as Volante, ASI and Optima. Legend branded products are supported by most major merchandising chains including Dick Smith Electronics, Kmart, Myer and Harvey Norman.

Yours Sincerely



Bradley R Dowe
Chief Executive Officer

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

DIRECTORS' REPORT

The directors present their report together with the accounts of Legend Corporation Limited ("the parent entity") and the consolidated accounts of the economic entity, being the parent entity and its controlled entities, for the year ended 30 June 2005.

Directors

The names and details of the directors in office during the financial year and up to the date of this report are:

Paul D. Teisseire
Bradley R. Dowe
Timothy J. King
Simon C. Forth

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Timothy J. King – B. Com Chartered Accountant was appointed company secretary on 16th February 2004.
Graham Seppelt – was appointed as an additional company secretary on 18th January 2005.

Principal Activities

The principal activities of the economic entity during the financial year comprised of the design, manufacture and distribution of memory modules. The distribution activities also extend to a range of other computer related components and consumer electronics.

Results

The consolidated profit and extraordinary items of the economic entity after providing for income tax and eliminating outside equity interests amounted to \$4,712,000, this is an 80% increase on the 2004 financial year. This result exceeds the forecast of \$4.3 million specified in Legend's February 2004 IPO Prospectus. The strong financial performance was achieved through solid growth of customers, the expansion of the product range and utilisation of the organisations resources.

Dividends

Dividends paid and declared per payment are as follows:

| | |
|--|--------------|
| Ordinary dividend paid on 15 th October 2004, as recommended in last year's report. | \$ 508,653 |
| Interim ordinary dividend of \$0.0075 paid on 15 th April 2005. | \$ 509,439 |
| Final ordinary dividend of \$0.015 per share recommended by the Directors. | \$ 1,032,491 |

Review of Operations

Legend's business in home markets has continued to grow strongly through the year. Legend has rapidly developed its sales and distribution network, developing several existing and new Asean markets including:

- Hong Kong has expanded sales by almost 50%
- Thailand sales and distribution has been established and shows strong growth
- Taiwan commenced business in June 05 and shows strong sales growth. Taiwan will also assist with local procurement for Legend production centres.
- In South Africa, Legend has taken over its former partner and has moved strongly to growth in sales with the support of many of our former joint venture employees and the addition of new sales in Cape Town.
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Traditional Markets & Operations

Legend's sales in its traditional sales geographies of Australia, New Zealand and South Africa grew from \$92.6 million in 2004, to \$116.7 million in 2005.

DIRECTORS' REPORT

Products

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

Legend released a wide range of new products through the year. Highlights included an Australian and Southern Hemisphere first in the local manufacture of Secure Digital Flash Media as popularly used in Digital Cameras and the introduction of a number of aggressively marketed Digital SetTop box products allowing consumers to enjoy Digital TV reception on their existing analogue televisions or record digital broadcasts to a hard drive that can then be enjoyed later.

Financial Position

The net tangible assets of the economic entity have increased from \$16.6 million as at 30 June 2004 to \$20.26 million as at 30 June 2005, this being a 22% increase. The total equity has increased from \$19.8 million to \$23.3 million.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the economic entity occurred during the financial year:

- On the 3rd September 2004, a subsidiary Legend Tech (Singapore) Pty Ltd was incorporated.
- On the 22nd February 2005, a subsidiary Legend Performance Asia Ltd was incorporated.
- On the 28th February 2005, the economic entity Legend Australasia Pty Ltd acquired all the shares of Memory Performance Pty Ltd subsequently changed name to Legend Tech RSA Pty Ltd.

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significant affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Future Developments, Prospects and Business Strategies

The outlook for Legend's operating environment is very strong. In this environment, Legend's increased sales and distribution network and new Singapore production facility will ensure another year of very strong sales growth.

Legend shall continue with the development of leading edge products, the release of Mini Secure Digital flash memory products is immanent, this product has particular demand in the mobile telephone and PDA (hand held computer) markets. These product development strategies dovetail the channel development and further market development in the retail/consumer electronics segments, area such as mobile phones and digital cameras. The Company expects continuing strong demand for the 'flash' memory products (MP3 players, memory cards used in camera's, USB pens). This brings together the Legend brand name and provides superior brand equity to the company through public recognition and awareness.

The foundation has been laid with the new sales operations and clients in Asia, with increased benefit flowing through over the next several years.

Environmental Issues

The economic entity's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

DIRECTORS' REPORT

Directors' qualifications and experience

Paul D. Teisseire (aged 50) Notary Public, Certificate in Law (Adelaide), MAICD
Non Executive Chairman

Paul is a professional independent non-executive director. He spent over 20 years in a private practice as a corporate lawyer specialising in business and corporate law with a special interest in corporate governance. Based in Adelaide, he is chairman of each of Auspine Ltd, Legend Corporation Ltd and Australian Executor Trustees Ltd (an operating subsidiary of Australian Wealth Management Ltd) and is also a non-executive director of Broadcast Services Australia Ltd and several larger private companies.

Paul is a member of the Legend Audit and Risk Management Committee and the Remuneration Committee.

Directorship held in other listed entities:

- Current director of Auspine Ltd (since prior to 1 July 2002)
- Current director of Broadcast Services Australia Ltd (since 1 April 2005)

Bradley R. Dowe (aged 44) BSc (Computer Science), MAICD
Chief Executive Officer

Bradley is the founder and Chief Executive Officer of Legend and has been working in the field of computing and engineering for over 20 years. His experience covers all facets of electronics engineering, electronics manufacturing processes, software development and international business operations. Bradley oversees the strategic management of the organisation. In particular, Bradley drives the expansion of global business operations.

Bradley is a member of the Legend Remuneration Committee.

Directorship in other listed entities – none

Simon C. Forth (aged 37) MBA (University of WA), MAICD
Executive Director

Simon joined Legend in 1989 and has over 15 years experience in the IT industry covering areas from software and hardware development through to computer electronics manufacturing encompassing surface mount and through-hole production. He has extensive experience in areas of sales, marketing and company administration. Simon is currently based in Singapore managing the international operations.

Simon is a member of Legend Remuneration Committee

Directorships in other listed entities – none

Timothy J. King (aged 44) B.Com, G Dip App Fin (Sec Inst)
Non Executive Director

Tim is a Chartered Accountant with over 20 years experience in corporate finance, accounting, management and taxation. Formerly a partner with a Perth accounting firm, Tim is a consultant to several listed and large unlisted companies. He is a director of the listed public companies Sphere Investments Limited, and is Chairman of Tantalum Australia NL and Reclaim Industries Ltd, as well as being a director of the unlisted company Bali Hai Cruises Pty Ltd. In addition, Tim is President of SIDS and Kids Western Australia, a director of the National SIDS Council of Australia Ltd, and is Chairman of The Rehabilitation Foundation.

Tim is Chairman of the Legend Audit and Risk Management Committee, a member of the Remuneration Committee and is Company Secretary.

Directorships in other listed entities:

- Current director of Tantalum Australia N L
- Current director of Sphere Investments Limited
- Current director of Reclaim Industries Limited
- Former director of Western Areas N L (from 28/7/2000 to 26/4/2005)

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

DIRECTORS' REPORT

Directors' Interests

Relevant interests of the directors in the shares, options or other instruments of the parent entity and related bodies corporate are:

| | Shares | Options \$0.60 ¹ | Options \$0.70 ² | Options \$0.80 ³ |
|----------------|----------------------|--------------------------------|--------------------------------|--------------------------------|
| Paul Teisseire | 42,445 | 66,667 | 66,667 | 66,666 |
| Bradley Dowe | 49,632,002 | - | - | - |
| Timothy King | 42,000 | 66,667 | 66,667 | 66,666 |
| Simon Forth | 642,520 ⁴ | 166,667 | 166,667 | 166,666 |

¹ Options are exercisable at 60 cents on or before 31 March 2006

² Options are exercisable at 70 cents on or before 31 March 2007

³ Options are exercisable at 80 cents on or before 31 March 2008

⁴ 600,000 shares are subject to buy back rights by the parent entity for \$0.01 until at least 30 days after the release of the 30 June 2005 financial results.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Legend Corporation Limited, and for the executives receiving the highest remuneration.

Remuneration Policy

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement. Any options not exercised before or on the date of termination lapse.

The group seeks to emphasize payment for results through providing various cash bonus reward schemes, specifically, the incorporation of incentive payments based on the achievement of sales targets and return on equity ratios. The objective of the reward schemes is to both reinforce the short and long-term goals of the company and to provide a common interest between management and shareholders.

Performance Based Remuneration

As part of each executive director and executive remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with directors/executives to ensure buy-in. The measures are specifically tailored to the areas each director/executive is involved in and has a level of control over. The KPIs target areas the board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty on the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Legend Corporation Limited bases the assessment on audited figures, however, where the KPI involves comparison of the group or a division within the group to the market, independent reports are obtained from organizations such as Standard & Poors.

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

DIRECTORS' REPORT

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors/ executives. There have been two methods applied in achieving this aim, the first being a performance based bonus on KPIs, and the second being the issue of options to the majority of directors/executives to encourage the alignment of personal and shareholder interests. The company believes this policy to have been effective in increasing shareholder wealth since incorporation.

The following table shows the gross revenue, profits and dividends since incorporation for the listed entity, as well as the share price at the end of the respective financial years. Analysis of the, actual figures shows an increase in profits as well as an increase in dividends paid to shareholders. The improvement in the company's performance has been reflected in the company's share price with an increase since testing. The board is of the opinion that these results can be attributed in part to the previously described remuneration policy and is satisfied that this continued improvement has lead to increased shareholder wealth since incorporation.

| | 2004 | 2005 |
|-------------------------|-------------|-------------|
| Revenue | \$124.3m | \$177.7m |
| Net Profit | \$ 2.6m | \$ 4.8m |
| Share Price at Year-end | \$ 0.52 | \$ 0.60 |
| Dividends Paid | Nil | 1.5 cents |

Details of Remuneration for the Year Ended 30 June 2005

The remuneration of Executive Director's and Executives of the economic entity is determined by the Directors following a review of the requirements and the market rates for the specific position. Remuneration packages and policies are set by the Board in accordance with industry standards and are designed to attract and retain suitably qualified directors and executives and reward them for performance that results in long term growth in shareholder value.

Non-Executive Directors are remunerated on a fixed fee for the performance of services as a Director.

The maximum remuneration of non-Executive Directors is the subject of a shareholder resolution in accordance with the parent entity's constitution, the Corporations Act and ASX Listing Rules, as applicable. The Board will determine remuneration with regard to inputs and the value of contribution to the economic entity by each non-Executive Director. The current limit, which may only be varied by shareholders at a General Meeting, is an aggregate amount of \$200,000 per annum.

The Board may award additional remuneration to non-Executive Directors called upon to perform extra services or make special exertions on behalf of the economic entity.

Details of the nature and amount of each element of the emoluments of each director of the parent entity and each of the other executive officers of the parent entity and the consolidated entity receiving the highest emoluments are set out in the following tables.

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

DIRECTORS' REPORT

| Directors | Salary and Fees \$ | Superannuation \$ | Number of Shares Granted | Value of Shares at Grant Date \$ | Number of Options Granted | Value of Options at Grant Date | Total Value of Shares & Options |
|------------------|-------------------------------|------------------------------|-------------------------------------|---|--|---|--|
| Paul Teisseire | 59,500 | - | - | - | - | - | - |
| Bradley Dowe | 136,181 | 12,256 | - | - | - | - | - |
| Timothy King | 49,750 | - | - | - | - | - | - |
| Simon Forth | 109,000 | 1,646 | 100,000 | 53,000 | - | - | 53,000 |

| Specified Executives | | | | | | | |
|---------------------------------|---------|--------|----------|---------|---|---|---------|
| Andrew Muller | 60,696 | - | 500,000 | 30,000 | - | - | 30,000 |
| Lea Fox | 76,872 | 6,468 | 200,000 | 120,000 | - | - | 120,000 |
| Mike Sack | 265,555 | 20,705 | 150,000 | 9,000 | - | - | 9,000 |
| Rob Kester | 92,140 | 7,832 | 1 50,000 | 90,000 | - | - | 90,000 |
| Louise Dowe | 153,621 | 13,826 | - | - | - | - | - |

No options have been issued as part of remuneration for the year ended 30 June 2005.

Directors' Meetings

The following table details the number of directors' meetings and committee meetings held and number of meetings attended by each of the directors of the parent entity during the financial year ended 30 June 2004.

| | Directors' Meetings | | Committee Meetings | | | |
|----------------|----------------------------------|------------------------|-----------------------------------|------------------------|----------------------------------|------------------------|
| | Number Eligible to Attend | Number Attended | Audit & Risk Committee | | Remuneration Committee | |
| | | | Number Eligible to Attend | Number Attended | Number Eligible to Attend | Number Attended |
| Paul Teisseire | 14 | 14 | 11 | 11 | 2 | 2 |
| Bradley Dowe | 14 | 13 | - | - | 2 | 2 |
| Timothy King | 14 | 14 | 11 | 11 | 2 | 2 |
| Simon Forth | 14 | 14 | - | - | 2 | 2 |

Indemnification Director or Auditor

During or since the end of the financial year the parent entity has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity as director of the parent entity, other than conduct involving a wilful breach of duty in relation to the parent entity. The amount of the premium was \$3,312 for each director, totalling \$13,248.

No liability has arisen under this indemnity as at the date of this report.

Mr Paul D. Teisseire
Mr Bradley R. Dowe
Mr Simon C. Forth
Mr Timothy J. King

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

DIRECTORS' REPORT

Share Options

At the date of this report there were 900,000 options over unissued ordinary shares in the parent entity, of which 300,001 are exercisable at 60 cents on or before 31 March 2006, 300,001 are exercisable at 70 cents on or before 31 March 2007 and 299,998 are exercisable at 80 cents on or before 31 March 2008. These options vested in March 2005.

Proceedings on Behalf of parent entity

No person has applied for leave of the Court to bring proceedings on behalf of the parent entity or intervene in any proceedings to which the parent entity is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The parent entity was not a party to any such proceedings during the year.

Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2005:

| | |
|---------------------|----------|
| | \$ |
| Taxation services | \$27,000 |
| Consulting Services | \$36,000 |
| | <hr/> |
| | \$63,000 |
| | <hr/> |

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on the following page of the directors' report.

Rounding of amounts

The company is an entity to which ASIC Class Order 98/100 applies. Accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

This report is made in accordance with a resolution of the directors.



P D Teisseire
Chairman of Directors
15th August 2005



MGI CAULFIELD & CO
CHARTERED ACCOUNTANTS

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF LEGEND CORPORATION LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2005 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

MGI Caulfield Co
MGI CAULFIELD & CO
CHARTERED ACCOUNTANTS


PK Whitehead - Partner

15th August 2005

212 Greenhill Road, Eastwood SA

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TEL: 08 8272 6800 FAX: 08 8373 1451 FREECALL: 1 800 811 610 EMAIL: reception@mgia.com.au

Directors: Desmond A. Caulfield, Peter K. Whitehead, Stephen J. Bray, Nicholas R. Moncrieff, Robert Lanzilli

Caulfield & Co Pty Ltd, ABN 96 007 851 569

MGI is a worldwide association of independent auditing, accounting and consulting firms.

Each member firm undertakes no responsibility for the activities, work, opinions or service of the other member firms.

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

| | Note | Economic Entity | | Parent Entity | |
|---|-------|-----------------|---------------|---------------|---------------|
| | | 2005 \$000 | 2004 \$000 | 2005 \$000 | 2004 \$000 |
| Sales | 2 | 177,715 | 124,313 | - | - |
| Cost of Sales | | (158,476) | (111,148) | - | - |
| Gross Profit | | 19,239 | 13,165 | - | - |
| Other revenues from ordinary activities | | 230 | 413 | 1019 | - |
| Distribution expense | | (860) | (595) | - | - |
| Marketing expense | | (190) | (223) | - | - |
| Occupancy expense | | (617) | (424) | - | - |
| Administration expense | | (8,928) | (7,285) | - | - |
| Borrowing costs expense | | (767) | (799) | - | - |
| Other expenses | | (1,462) | (1,297) | - | - |
| Share of net profits (loss) of associates accounted for using the equity method | | (55) | 83 | - | - |
| Profit from ordinary activities before income tax expense | 3 | 6,590 | 3,038 | 1019 | - |
| Income tax expense relating to ordinary activities | 4 | 1,771 | 438 | - | (216) |
| Profit from ordinary activities after related income tax expense | | 4,819 | 2,600 | 1019 | 216 |
| Net profit | | 4,819 | 2,600 | 1019 | 216 |
| Net loss (profit) attributable to outside equity interests | | (107) | 2 | - | - |
| Net profit attributable to members of the parent entity | | 4,712 | 2,602 | 1019 | 216 |
| Net exchange difference on translation of financial report of self-sustaining foreign operations | 25(a) | (283) | 259 | - | - |
| Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity | | (283) | 259 | - | - |
| Total changes in equity other than those resulting from transactions with owners as owners | | 4,429 | 2,861 | 1,019 | 216 |
| Basic earnings per share (cents per share) | 8 | 7.0 | 9.3 | - | - |
| Diluted earnings per share (cents per share) | 8 | 6.9 | 9.3 | - | - |

The accompanying notes form part of these financial statements

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

| | Note | Economic Entity | | Parent Entity | |
|---|------|-----------------|---------------|---------------|---------------|
| | | 2005 \$000 | 2004 \$000 | 2005 \$000 | 2004 \$000 |
| CURRENT ASSETS | | | | | |
| Cash assets | 9 | 4,039 | 7,970 | 11 | - |
| Receivables | 10 | 23,719 | 14,850 | 7,377 | 7,279 |
| Inventories | 11 | 21,178 | 16,558 | - | - |
| Other | 19 | 232 | 111 | - | - |
| TOTAL CURRENT ASSETS | | 49,168 | 39,489 | 7,388 | 7,279 |
| NON-CURRENT ASSETS | | | | | |
| Investments accounted for using the equity method | 12 | - | 83 | - | - |
| Other financial assets | 14 | - | - | 9,700 | 9,700 |
| Property, plant and equipment | 16 | 3,988 | 3,134 | - | - |
| Deferred tax assets | 17 | 343 | 386 | 130 | 216 |
| Intangible assets | 18 | 3,121 | 3,260 | - | - |
| Other | 19 | 2,948 | 2,551 | - | - |
| TOTAL NON-CURRENT ASSETS | | 10,400 | 9,414 | 9,830 | 9,916 |
| TOTAL ASSETS | | 59,568 | 48,903 | 17,218 | 17,195 |
| CURRENT LIABILITIES | | | | | |
| Payables | 20 | 18,950 | 14,166 | - | - |
| Interest-bearing liabilities | 21 | 3,013 | 8,525 | - | - |
| Current tax liabilities | 22 | 1,338 | 395 | - | - |
| Provisions | 23 | 864 | 766 | - | - |
| TOTAL CURRENT LIABILITIES | | 24,165 | 23,852 | - | - |
| NON-CURRENT LIABILITIES | | | | | |
| Interest-bearing liabilities | 21 | 11,835 | 5,120 | - | - |
| Deferred tax liabilities | 22 | 103 | - | - | - |
| Provisions | 23 | 85 | 91 | - | - |
| TOTAL NON-CURRENT LIABILITIES | | 12,023 | 5,211 | - | - |
| TOTAL LIABILITIES | | 36,188 | 29,063 | - | - |
| NET ASSETS | | 23,380 | 19,840 | 17,218 | 17,195 |
| EQUITY | | | | | |
| Contributed equity | 24 | 17,001 | 16,979 | 17,001 | 16,979 |
| Reserves | 25 | (24) | 259 | - | - |
| Retained profits | 26 | 6,296 | 2,602 | 217 | 216 |
| Parent entity interest | | 23,273 | 19,840 | 17,218 | 17,195 |
| Outside equity interest | 27 | 107 | - | - | - |
| TOTAL EQUITY | | 23,380 | 19,840 | 17,218 | 17,195 |

The accompanying notes form part of these financial statements.

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

| | Economic Entity | | Parent Entity | |
|--|------------------------|--------------|----------------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$000 | \$000 | \$000 | \$000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | 170,476 | 109,458 | - | - |
| Payments to suppliers and employees | (171,821) | (115,979) | - | - |
| Interest received | 109 | 171 | - | - |
| Borrowing costs | (767) | (799) | - | - |
| Income tax paid | (791) | (456) | - | - |
| Net cash provided by (used in) operating activities | 31a (2,794) | (7,605) | - | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from sale of plant and equipment | 237 | - | - | - |
| Purchase of property, plant and equipment | (811) | (375) | - | - |
| Employee loan advanced | (26) | (62) | - | - |
| Purchase of other non-current assets | (646) | (388) | - | - |
| Net cash provided by (used in) investing activities | (1,246) | (825) | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from issue of shares | - | 7,279 | - | - |
| Proceeds from borrowings | 6,920 | 2,575 | 1,006 | - |
| Repayment of borrowings | (520) | (217) | - | - |
| Dividends paid | (995) | - | (995) | - |
| Net cash provided by (used in) financing activities | 5,405 | 9,637 | 11 | - |
| Net increase (decrease) in cash held | 1,365 | 1,207 | 11 | - |
| Cash at 1 July 2004 | (75) | - | - | - |
| Net cash acquired through acquisition of controlled entity | 316 | (1,282) | - | - |
| Cash at 30 June 2005 | 9 1,606 | (75) | 11 | - |

The accompanying notes form part of these financial statements.

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that 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*.

The financial report covers the economic entity of Legend Corporation Limited and controlled entities, and Legend Corporation Limited as an individual parent entity. Legend Corporation Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a. Principles of Consolidation

A controlled entity is any entity controlled by Legend Corporation Limited. Control exists where Legend Corporation Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Legend Corporation Limited to achieve the objectives of Legend Corporation Limited. A list of controlled entities is contained in Note 15 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

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

b. Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences. Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

c. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Property, Plant and Equipment

Each class of property, plant and equipment are carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to depreciation. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|------------------------|-------------------|
| Leasehold improvements | 2.5 % |
| Plant and equipment | 18 – 40 % |

e. Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

f. Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting.

g. Research and Development Expenditure

Research and Development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Deferred research and development expenditure is amortised on a straight-line basis over the period during which the related benefits are expected to be realised, once commercial production has commenced.

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight-line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

i. Foreign Currency Transactions and Balances

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

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

The assets and liabilities of the overseas controlled entities, which are self-sustaining, are translated at year-end rates and operating results are translated at the rates ruling at the end of each month. Gains and losses arising on translation are taken directly to the foreign currency translation reserve.

Exchange differences arising on hedged transactions undertaken to hedge foreign currency exposures, other than those for the purchase and sale of goods and services, are brought to account in the profit from ordinary activities when the exchange rates change. Any material gain or loss arising at the time of entering into hedge transactions is deferred and brought to account in the profit from ordinary activities over the lives of the hedges.

Costs or gains arising at the time of entering hedged transactions for the purchase and sale of goods and services, and exchange differences that occur up to the date of purchase or sale, are deferred and included in the measurement of the purchase or sale. Gains and losses from speculative foreign currency transactions are brought to account in the profit from ordinary activities when the exchange rate changes.

j. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

The company operates an ownership-based remuneration scheme through the employee option plan and the employee share scheme, details of which are provided in Note 33 to the financial statements. Profits or losses incurred by employees — being the difference between the market value and the issue price of the shares acquired — are recognised as an employee benefit expense at the time the employees are entitled to the shares. In the statement of financial position, the shares are recognised at the market value at the time they are issued.

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Provision for Warranties

Provision is made in respect of the economic entity's estimated liability on all products and services under warranty at balance date. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows estimated by reference to the economic entity's history of warranty claims.

l. Cash

For the purpose of the statement of cash flows, cash includes:

- Cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- investments in money market instruments with less than 14 days to maturity.

m. Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

n. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. 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 in the statement of financial position are shown inclusive of GST.

o. Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

p. Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Impact of Adopting Australian Equivalents to IFRS

Legend Corporation Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (GAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. The company has allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas of the areas in order of priority. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Legend's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Legend prepares its first fully AIFRS compliant report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to:

- (a) ongoing work being undertaken;
- (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC, and
- (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

(a) Profit

Reconciliation of profit as presented under AGAAP to that under AIFRS

| YEAR ENDED 30 JUNE 2004 | Notes | Economic Entity | | Parent Entity | |
|---|-------|-----------------------|----------------------|-----------------------|----------------------|
| | | 30 June 2005 \$000 | 1 July 2004 \$000 | 30 June 2005 \$000 | 1 July 2004 \$000 |
| Net profit as reported under AGAAP | | 4,712 | 2,602 | 1,019 | 216 |
| Share-based payment expense (shares) | (i) | (492) | (1,094) | (492) | (1,094) |
| Share-based payment expenses (options) | (ii) | (13) | (4) | (13) | (4) |
| Employee entitlements | (iii) | - | (55) | - | - |
| Research expense | (iv) | - | (184) | - | - |
| Research expense | (v) | (397) | - | - | - |
| Goodwill and consolidation expense | (vi) | 166 | - | - | - |
| Income tax expense | (vii) | 11 | (175) | - | (216) |
| Net profit / loss under AIFRS | | 3,987 | 1,090 | 514 | 1,098 |

- (i) Under AASB 2 Share-based payments, the Company will recognise an expense for shares issued under the Employee Share Agreement. The expense will be the market value of the shares at date of issue. The value of shares issued during 2004 was \$1,094,000. The value of shares issued during 2005 was \$492,000.
- (ii) Under AASB 2 Share-based payments, the Company will recognise an expense for options issued under the Employee Share Option Agreement. The expense will be the fair value of the instruments at grant date recognised over the relevant vesting period. Options issued in 2004 are amortised by \$4,000 and \$13,000 in 2005.
- (iii) Under AASB 119 Employee Entitlements, the Company must discount all employee benefit liabilities expected to be settled beyond twelve months, using a profitability factor, resulting in an unfavourable adjustment of \$55,000.

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (iv) Under AASB 3 Business Combinations, AASB 138 Intangible Assets and AASB 1 First Time Adoption, the company has elected to restate the business combination of Legend Corporation and Legend Australasia Group which took place on 31 March 2004. This will result in an increase in research expense equal to the net of the R & D and related accumulated amortisation from the date of the business combination to 30 June 2004. Furthermore, there will be a reclassification of \$2,551,000 from deferred research and development assets to goodwill in the AIFRS balance sheet.
- (v) Under AASB 138 Intangible Assets, research and development costs associated with improvement of existing product and processes will be expensed as incurred. Development costs associated with identifiable new projects may be capitalised. Research and Development costs capitalised under GAAP for 2005 \$397,000.
- (vi) Under AASB 136 Impairment of Assets and AASB 138 Intangible Assets no amortisation of goodwill will be recognised, however goodwill will be subject to an annual impairment test. Amortisation expense under GAAP for 2005 \$166,000. There has been no impairment of the goodwill assets in 2005.
- (vii) Under AASB 112 Income Taxes the company is required to adopt a balance sheet approach where temporary differences are identified for each asset and liability. This has resulted in deferred tax assets and liability related to adjustments for provisions and listing costs adjusted via equity.

(b) Equity

Reconciliation of equity as presented under AGAAP to that under AIFRS

| | Notes | Economic Entity | | Parent Entity | |
|--|--------|--------------------------|----------------------|--------------------------|----------------------|
| | | 30 June 2005 \$000 | 1 July 2004 \$000 | 30 June 2005 \$000 | 1 July 2004 \$000 |
| Total Equity under AGAAP | | 23,351 | 19,840 | 17,219 | 17,195 |
| Adjustments to retained earnings (net of tax) | | | | | |
| Share-based payment expense (shares) | (i) | (492) | (1,094) | (492) | (1,094) |
| Share-based payment expenses (options) | (ii) | (13) | (4) | (13) | (4) |
| Employee entitlements | (iii) | - | (55) | - | - |
| Cumulative translation differences | (iv) | - | 259 | - | - |
| Research expense | (v) | - | (184) | - | - |
| Research expense | (vi) | (397) | - | - | - |
| Goodwill on consolidation | (vii) | 166 | 76 | - | - |
| Income tax expense | (viii) | 11 | (175) | - | (216) |
| Adjustments to other equity items (net of tax) | | (725) | (1,177) | (505) | (1,098) |
| Corresponding entry for shares issued under the Employee Share Arrangement | (i) | 492 | 1,094 | 492 | 1,094 |
| Corresponding entry for options issued under the Employee Share Option Arrangement | (ii) | 13 | 4 | 13 | 4 |
| Cumulative translation differences | (iv) | - | (259) | - | - |
| Tax effects if listing costs (net to equity) | (ix) | - | 216 | - | 216 |
| | | 505 | 1,055 | 505 | 1,314 |
| | | 23,131 | 19,718 | 17,219 | 17,195 |
| July 04 adjustments carried forward | | (122) | - | - | - |
| Total Equity under AIFRS | | 23,009 | 19,718 | 17,219 | 17,195 |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (i) Under AASB 2 Share-based payments, the Company will recognise an expense and a corresponding increase in the contributed capital for shares issued under the Employee Share Arrangement. The increase in contributed capital and the expense will be the market value of the shares at date of issue.
- (ii) Under AASB 2 Share-based payments, the Company will recognise an expense and a corresponding increase in Other Reserves – Options for options issued under the Employee Share Option Arrangement. The expense and increase in the reserve will be the fair value of the instruments at grant date recognised over the relevant vesting period
- (iii) Under AASB 119 Employee Entitlements, the Company must discount all employee benefit liabilities expected to be settled beyond twelve months, using a probability factor.
- (iv) Under AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards in conjunction with AASB 121 The Effects of Changes in Foreign Exchange Rates, the Company has elected to deem the foreign currency translation reserve to zero.
- (v) Under AASB 3 Business Combinations, AASB 138 Intangible Assets and AASB 1 First Time Adoption, the company has elected to restate the business combination of Legend Corporation and Legend Australasia Group which took place on 31 March 2004. This result is an increase in research expenses equal to the net of the R & D and related accumulated amortisation from the date of the business combination to 30 June 2004.
- (vi) Under AASB 138 Intangible Assets, research and development costs associated with improvement of existing product and processes will be expensed as incurred. Development costs associated with identifiable new projects may be capitalised. Research and Development costs capitalised under GAAP for 2005 \$397,000.
- (vii) Under AASB 136 Impairment of Assets and AASB 138 Intangible Assets no amortisation of goodwill will be recognised, however goodwill will be subject to an annual impairment test. Amortisation expense under GAAP for 2005 \$166,000. There has been no impairment of the goodwill assets in 2005.
- (viii) Under AASB 112 Income Taxes the company is required to adopt a balance sheet approach where temporary differences for each asset and liability. This has resulted in tax assets and liability related to Provisions and listing costs in 2004 and additional \$11,000 of expense in 2005.
- (ix) Recognition of taxation effect on Listing Costs taken directly to equity.

(c) Cash Flows

Reconciliation of AIFRS Statement of Cash Flows

No impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

| | Note | Economic Entity | | Parent Entity | |
|---|-------------|------------------------|----------------|----------------------|--------------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | \$000 | \$000 | \$000 | \$000 |
| NOTE 2: REVENUE | | | | | |
| Operating activities | | | | | |
| - | | 177,715 | 124,313 | - | |
| - | | - | - | 1,019 | - |
| - | 2a | 109 | 171 | - | |
| - | | 121 | 242 | - | |
| - | | <u>177,945</u> | <u>124,726</u> | 1,019 | |
| a. Dividend revenue from: | | | | | |
| - | | - | - | 1,019 | - |
| Total dividend revenue | | | | | |
| | | - | - | 1,019 | - |
| b. Interest revenue from: | | | | | |
| - | | - | - | - | - |
| - | | 109 | 171 | - | - |
| Total interest revenue | | | | | |
| | | 109 | 171 | - | - |
| NOTE 3: PROFIT FROM ORDINARY ACTIVITIES | | | | | |
| Profit from ordinary activities before income tax has been determined after | | | | | |
| a. Expenses | | | | | |
| Cost of sales | | 158,476 | 111,148 | - | - |
| Borrowing costs: | | | | - | |
| - | | 767 | 799 | - | - |
| Total borrowing costs | | | | | |
| | | 767 | 799 | - | - |
| Depreciation of non-current assets: | | | | - | |
| - | | 743 | 360 | - | - |
| Total depreciation | | | | | |
| | | 743 | 360 | - | - |
| Amortisation of non-current assets: | | | | - | |
| - | | 5 | 37 | - | - |
| - | | | | - | - |
| | | 249 | 204 | - | - |
| - | | 166 | 76 | - | - |
| Total amortisation | | | | | |
| | | 420 | 317 | - | - |
| Foreign currency translation losses | | 187 | 28 | - | - |
| Bad and doubtful debts: | | | | - | |
| - | | 161 | 63 | - | - |
| Total bad and doubtful debts | | | | | |
| | | 161 | 63 | - | - |
| Rental expense on operating leases | | | | - | |
| - | | 369 | 314 | - | - |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

| | Note | Economic Entity | | Parent Entity | |
|--|------|-----------------|--------------|---------------|--------------|
| | | 2005 | 2004 | 2005 | 2004 |
| NOTE 3: PROFIT FROM ORDINARY ACTIVITIES (Continued) | | \$000 | \$000 | \$000 | \$000 |
| b. Revenue and Net Gains | | | | | |
| Net gain on disposal of non-current assets: | | | | | |
| - property, plant and equipment | | 122 | 2 | - | - |
| Foreign currency translation gains | | 7 | 96 | - | - |
| | | | | | |
| NOTE 4: INCOME TAX EXPENSE | | | | | |
| The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows: | | | | | |
| Prima facie tax payable on profit from ordinary activities before income tax at 30 % (2004: 30%) | | | | | |
| - economic entity | | 1,977 | 911 | - | - |
| - parent entity | | - | - | 436 | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| | | 1,977 | 911 | 436 | - |
| Add: | | | | | |
| Tax effect of: | | | | | |
| - Non-deductible depreciation and amortisation | | 133 | 157 | - | - |
| - Share of net loss of associates | | 16 | - | - | - |
| - Other non-allowable items | | 37 | 27 | - | - |
| - Adjustment due to differentiating tax rates applicable to foreign entities | | | | - | - |
| Under provision for income tax in prior year | | - | 30 | - | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| | | 2,163 | 1,125 | 436 | - |
| Less: | | | | | |
| Tax effect of: | | | | | |
| - Rebateable fully franked dividends | | - | - | 436 | - |
| - Incorporation costs capitalised | | - | 216 | - | 216 |
| - Research and development capitalised | | 242 | 430 | - | - |
| - Share of net profits of associates | | - | 25 | - | - |
| - Adjustment due to differentiating tax rates applicable to foreign entities | | 150 | 4 | - | - |
| - Consolidation adjustment | | - | 12 | - | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Income tax expense attributable to profit from ordinary activities before income tax | | <hr/> | <hr/> | <hr/> | <hr/> |
| | | 1,771 | 438 | - | (216) |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 5: DIRECTORS AND EXECUTIVE REMUNERATION

a. Names and positions held of Parent Entity Directors and Specified Executives in office at any time during the financial year are:

Parent Entity Directors

| | |
|---------------------|---|
| Mr Paul D Teisseire | Chairman — Non-Executive |
| Mr Bradley R Dowe | Director – Chief Executive Office-Executive |
| Mr Simon C Forth | Director — Executive |
| Mr Timothy J King | Director — Non-Executive |

Specified Executives

| | |
|------------------|-------------------------|
| Mr Andrew Muller | Chief Financial Officer |
| Ms Lea Fox | General Manager |
| Ms Louise Dowe | Senior Account Manager |
| Mr Mike Sack | Senior Account Manager |
| Mr Rob Kester | Sales Director |

b. Parent Entity Directors Remuneration

| 2005 | Primary | | | Equity | | Total |
|---------------------|-------------------------------------|---------------------------------------|---------------------|-----------------|------------------|-------|
| | Salary, Fees & Commissions \$000 | Super-annuation Contribution \$000 | Cash Bonus \$000 | Shares \$000 | Options \$000 | |
| Mr Paul D Teisseire | 59 | - | - | - | - | 59 |
| Mr Bradley R Dowe | 136 | 12 | - | - | - | 148 |
| Mr Simon C Forth | 109 | 2 | - | 53 | - | 164 |
| Mr Timothy J King | 50 | - | - | - | - | 50 |
| | 354 | 14 | - | 53 | - | 421 |

| 2004 | Primary | | | Equity | | Total |
|---------------------|-------------------------------------|---------------------------------------|---------------------|-----------------|------------------|-------|
| | Salary, Fees & Commissions \$000 | Super-annuation Contribution \$000 | Cash Bonus \$000 | Shares \$000 | Options \$000 | |
| Mr Paul D Teisseire | 8 | 1 | - | - | 8 | 17 |
| Mr Bradley R Dowe | 61 | 5 | - | - | - | 66 |
| Mr Simon C Forth | 45 | 3 | 10 | 250 | 20 | 328 |
| Mr Timothy J King | 12 | - | - | - | 8 | 20 |
| Ms Louise Dowe | 12 | 1 | - | - | - | 13 |
| | 138 | 10 | 10 | 250 | 36 | 444 |

The service and performance criteria set to determine remuneration are included per Note 5(h).

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 5: DIRECTORS AND EXECUTIVE REMUNERATION (Continued)

c. Specified Executives' Remuneration

2005

| | Primary | | | | Post | Equity | Other | Total |
|---------------|----------|--------------|---------|-----------|---------|--------|-------|-------|
| | Super- | | Cash | Non-Cash | Employ- | | | |
| | Salary & | annuation | | | ment | | | |
| | Fees | Contribution | | | Super- | | | |
| \$000 | \$000 | Bonus | Benefit | annuation | Shares | \$000 | \$000 | |
| Andrew Muller | 61 | 5 | - | - | - | 30 | - | 96 |
| Lea Fox | 77 | 6 | - | - | - | 120 | - | 203 |
| Louise Dowe | 154 | 14 | - | - | - | - | - | 168 |
| Mike Sack | 265 | 21 | - | - | - | 9 | - | 295 |
| Rob Kester | 92 | 8 | - | - | - | 90 | - | 190 |
| | 649 | 54 | - | - | - | 249 | - | 952 |

2004

| | Primary | | | | Post | Equity | Other | Total |
|---------------------|----------|--------------|---------|-----------|---------|--------|-------|-------|
| | Super- | | Cash | Non-Cash | Employ- | | | |
| | Salary & | annuation | | | ment | | | |
| | Fees | Contribution | | | Super- | | | |
| \$000 | \$000 | Bonus | Benefit | annuation | Shares | \$000 | \$000 | |
| Andrew Muller | 27 | 2 | - | - | - | 50 | - | 79 |
| Lea Fox | 38 | 3 | - | - | - | 275 | - | 316 |
| Louise Dowe | 55 | 5 | - | - | - | - | - | 60 |
| Mike Sack | 90 | 8 | - | - | - | 125 | - | 223 |
| Andrew Trzesniowski | 27 | 2 | - | - | - | 25 | - | 54 |
| | 237 | 20 | - | - | - | 475 | - | 732 |

The service and performance criteria set to determine remuneration are included per Note 5(h).

d. Remuneration Options

Options Granted As Remuneration

No options have been granted as remuneration

e. Shares Issued on Exercise of Remuneration Options

Options Granted As Remuneration

No shares have been issued on Exercise of Remuneration Options.

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 5: DIRECTORS AND EXECUTIVE REMUNERATION (Continued)

f. Options and Rights Holdings

Number of options held by Specified Directors & Executives

| | Granted | | | Net Change Other* | Balance 30.6.05 | Total Vested 30.6.05 | Total Exercisable | Total Unexercis- able |
|--------------------------------|-------------------|-------------------|----------------------|-------------------------|--------------------|----------------------------|----------------------|-----------------------------|
| | Balance 1.7.04 | Remuner- ation | Options Exercised | | | | | |
| Parent Entity Directors | | | | | | | | |
| Paul D Teisseire | 200,000 | - | - | - | 200,000 | 200,000 | - | 200,000 |
| Simon C Forth | 500,000 | - | - | - | 500,000 | 500,000 | - | 500,000 |
| Timothy J King | 200,000 | - | - | - | 200,000 | 200,000 | - | 200,000 |
| Total | 900,000 | - | - | - | 900,000 | 900,000 | - | 900,000 |

* The net change other reflected above includes those options that have been forfeited by holders as well as options issued during the year under review.

g. Shareholdings

Number of Shares held by Parent Entity Directors and Specified Executives

| | Received | | | | | Balance 30.6.05 |
|--------------------------------|-------------------|-------------------|----------------------|----------------------|----------|--------------------|
| | Balance 1.7.04 | Remunerati- on | Options Exercised | Net Change Other* | | |
| Parent Entity Directors | | | | | | |
| Paul D Teisseire | 20,000 | - | - | 22,445 | - | 42,445 |
| Bradley R Dowe | 24,816,001 | - | - | - | - | 24,816,001 |
| Simon C Forth | 522,520 | 100,000 | - | 20,000 | - | 642,520 |
| Timothy J King | 42,000 | - | - | - | - | 42,000 |
| Specified Executives | | | | | | |
| Andrew Muller | 100,000 | 50,000 | - | - | - | 150,000 |
| Lea Fox | 550,000 | 200,000 | - | - | - | 750,000 |
| Louise Dowe | 24,816,001 | - | - | - | - | 24,816,001 |
| Mike Sack | 250,000 | 15,000 | - | - | - | 265,000 |
| Robert Kester | 150,000 | 150,000 | - | - | - | 300,000 |
| Total | 51,266,522 | 515,000 | - | 42,445 | - | 51,823,967 |

* Net Change other refers to shares purchased or sold during the financial year.

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 5: DIRECTORS AND EXECUTIVE REMUNERATION (Continued)

(h) Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement. Any options not exercised before or on the date of termination lapse.

The group seeks to emphasize payment for results through providing various cash bonus reward schemes, specifically, the incorporation of incentive payments based on the achievement of sales targets and return on equity ratios. Bonuses included per Note 5(b) and 5(c) is based on these targets. The objective of the reward schemes is to both reinforces the short and long-term goals of the company and to provide a common interest between management and shareholders.

| NOTE 6: AUDITORS' REMUNERATION | Economic Entity | | Parent Entity | |
|--|------------------------|--------------|----------------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$000 | \$000 | \$000 | \$000 |
| Remuneration of the auditor of the parent entity for: | | | | |
| - auditing or reviewing the financial report | 115 | 40 | - | - |
| - other services | 63 | 65 | - | - |
| Remuneration of the auditor of subsidiaries for: | | | | |
| - auditing or reviewing the financial report of subsidiaries | 25 | - | - | - |
| - Other series | 13 | - | - | - |
| NOTE 7: DIVIDENDS | | | | |
| a. Interim fully franked ordinary dividend of 0.75 (2004-Nil) cents per share franked at the top rate of 30% | 509 | - | 509 | - |
| b. 2004 proposed final fully franked ordinary dividend of 0.75 cents per share paid in 2005 | 509 | - | 509 | - |
| | 1,018 | - | 1,018 | - |
| c. Proposed final fully franked ordinary dividend of 0.75 (2004:0.75) cents per share franked at the tax rate of 30% | 1,032 | 509 | 1,032 | 509 |
| d. Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years | 2,461 | 1,885 | - | - |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

| | | 2005 | 2004 |
|-----------------------------------|---|-------------------|-------------------|
| | | \$000 | \$000 |
| NOTE 8: EARNINGS PER SHARE | | | |
| a. | Reconciliation of earnings to net profit or loss | | |
| | Net profit | 4,819 | 2,600 |
| | Net profit attributable to outside equity interest | (107) | 2 |
| | Earnings used in the calculation of basic EPS | <u>4,712</u> | <u>2,602</u> |
| | Earnings used in the calculation of dilutive EPS | <u>4,712</u> | <u>2,602</u> |
| b. | Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | 68,226,326 | 27,831,776 |
| | Weighted average number of options outstanding | 900,000 | 260,656 |
| | Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS | <u>69,126,326</u> | <u>28,092,432</u> |
| c. | Classification of securities | | |
| | The following securities have been classified as potential ordinary shares and are included in determination of dilutive EPS: | | |
| | - options outstanding | | |

| | Note | Economic Entity | | Parent Entity | |
|---|------|------------------------|----------------|----------------------|--------------|
| | | 2005 | 2004 | 2005 | 2004 |
| NOTE 9: CASH ASSETS | | \$000 | \$000 | \$000 | \$000 |
| Cash on hand | | 2 | - | - | - |
| Cash at bank | | 3,942 | 6,443 | 11 | - |
| Deposits at call | | 95 | 1,527 | - | - |
| | | <u>4,039</u> | <u>7,970</u> | <u>11</u> | <u>-</u> |
| Reconciliation of Cash | | | | | |
| Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows: | | | | | |
| Cash | | 4,039 | 7,970 | 11 | - |
| Bank overdrafts | 21 | <u>(2,433)</u> | <u>(8,045)</u> | <u>-</u> | <u>-</u> |
| | | <u>1,606</u> | <u>(75)</u> | <u>11</u> | <u>-</u> |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

| NOTE 10: RECEIVABLES | Note | Economic Entity | | Parent Entity | |
|---------------------------------|-------------|------------------------|---------------|----------------------|--------------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | \$000 | \$000 | \$000 | \$000 |
| CURRENT | | | | | |
| Trade debtors | | 22,730 | 14,855 | - | - |
| Provision for doubtful debts | | (164) | (117) | - | - |
| | | <u>22,566</u> | <u>14,738</u> | - | - |
| Other debtors | | 1,153 | 112 | - | - |
| Amounts receivable from: | | | | | |
| - Wholly owned subsidiaries | | - | - | 7,378 | 7,279 |
| | | <u>23,719</u> | <u>14,850</u> | <u>7,378</u> | <u>7,279</u> |
| NOTE 11: INVENTORIES | | | | | |
| CURRENT | | | | | |
| At cost | | | | | |
| Finished goods | | <u>21,178</u> | <u>16,558</u> | - | - |
| NOTE 12: INVESTMENTS | | | | | |
| ACCOUNTED FOR USING THE | | | | | |
| EQUITY METHOD | | | | | |
| Associated companies | 13 | - | 83 | - | - |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 13: ASSOCIATED COMPANIES (Continued)

| | Notes | Economic Entity | | Parent Entity | |
|----|--|-----------------|-------|---------------|-------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | \$000 | \$000 | \$000 | \$000 |
| c. | Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates | | | | |
| | Current Assets | - | 605 | - | - |
| | Non-current Assets | - | 2,644 | - | - |
| | Total Assets | - | 3,249 | - | - |
| | Current Liabilities | - | 918 | - | - |
| | Non-current Liabilities | - | 2,248 | - | - |
| | Total Liabilities | - | 3,166 | - | - |
| | Net Assets | - | 83 | - | - |
| | Net (profit/loss) from ordinary activities after income tax of associates | (55) | 119 | - | - |
| d. | Ownership interest in Memory Performance (Pty) Ltd at that company's balance date was 50 % of ordinary shares up to the date of takeover of remaining 50% of shares on 18 March 2005. The reporting date of Memory Performance (Pty) Ltd was 29 February 2005. | | | | |

NOTE 14: OTHER FINANCIAL ASSETS

| Unlisted investments, at cost | | | | | | |
|-------------------------------|-------------------------------|----|---|---|-------|-------|
| - | Shares in controlled entities | 15 | - | - | 9,700 | 9,700 |
| | | | - | - | 9,700 | 9,700 |

NOTE 15: CONTROLLED ENTITIES

a. Controlled Entities

| | Country of Incorporation | Percentage Owned | |
|--|--------------------------|------------------|------|
| | | 2005 | 2004 |
| Parent Entity: | | | |
| Legend Corporation Limited | Australia | - | - |
| Subsidiaries of Legend Corporation Limited: | | | |
| Legend (Australasia) Pty Ltd | Australia | 100 | 100 |
| Legend Tech International Ltd | Hong Kong | 100 | 100 |
| Legend Logistics Ltd | Hong Kong | 100 | 100 |
| Legend Performance Technology (Thailand) Company Ltd | Thailand | 90 | 90 |
| Legend Pacific Pty Ltd | Australia | 100 | 100 |
| Legend Tech (RSA) Pty Ltd | South Africa | 100 | 50 |
| Legend Tech (Singapore) Pty Ltd | Singapore | 100 | - |
| Legend Performance Asia Ltd | Taiwan | 80 | - |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 15: CONTROLLED ENTITIES (continued)

b. Controlled Entities Acquired

On 2 September 2004, Legend Tech (Singapore) Pty Ltd was incorporated and commenced operations in the Republic of Singapore. The initial share capital was \$80 paid in cash and the company is 100% owned and controlled.

On 28 February 2005 Legend Australasia Pty Ltd acquired the remaining 50% of the issued share capital of Legend (RSA) Pty Ltd (formerly Memory Performance Pty Ltd) for a purchase consideration of \$1.

On 22 February 2005 Legend Performance Asia Ltd was incorporated and commenced operation in Taiwan. The initial share capital was \$41,493 by way of intercompany loan and the company is 80% owned and controlled. This company commenced trading in May 2005.

| NOTE 16: PROPERTY, PLANT AND EQUIPMENT | Economic Entity | | Parent Entity | |
|---|------------------------|--------------|----------------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$000 | \$000 | \$000 | \$000 |
| PLANT AND EQUIPMENT | | | | |
| Plant and equipment at | | | | |
| Cost | 6,400 | 5,479 | - | - |
| Accumulated depreciation | (2,930) | (2,850) | - | - |
| | <u>3,470</u> | <u>2,629</u> | - | - |
| Leasehold improvements | | | | |
| At cost | 827 | 743 | - | - |
| Accumulated amortisation | (309) | (238) | - | - |
| Total Leasehold Improvements | <u>518</u> | <u>505</u> | - | - |
| Total Property, Plant and Equipment | <u>3,988</u> | <u>3,134</u> | - | - |

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

| | Leasehold Improve-ments | Plant and Equip-ment | Total |
|---|--------------------------------|-----------------------------|--------------|
| | \$000 | \$000 | \$000 |
| Economic Entity: | | | |
| Balance at the beginning of year | 505 | 2,629 | 3,134 |
| Additions | 84 | 1,662 | 1746 |
| Disposals | - | (635) | (635) |
| Additions through acquisition of entity | - | 510 | 510 |
| Depreciation expense | (71) | (677) | (748) |
| Foreign oncharge adjustment | - | (19) | (19) |
| Carrying amount at the end of year | <u>518</u> | <u>3,470</u> | <u>3,988</u> |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

| | Economic Entity | | Parent Entity | |
|--|------------------------|--------------|----------------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$000 | \$000 | \$000 | \$000 |
| NOTE 17: DEFERRED TAX ASSETS | | | | |
| Future income tax benefit | | 386 | | 216 |
| a. The future income tax benefit is made up of the following estimated tax benefits: | | | | |
| - tax losses | 153 | 104 | - | 43 |
| - timing differences | 190 | 282 | 130 | 173 |
| | <u>343</u> | <u>386</u> | <u>130</u> | <u>216</u> |
| NOTE 18: INTANGIBLE ASSETS | | | | |
| Goodwill at cost | 3,365 | 3,336 | - | - |
| Accumulated amortisation | (244) | (76) | - | - |
| | <u>3,121</u> | <u>3,260</u> | <u>-</u> | <u>-</u> |
| NOTE 19: OTHER ASSETS | | | | |
| CURRENT | | | | |
| other | 7 | - | - | - |
| Prepayments | 225 | 111 | - | - |
| | <u>232</u> | <u>111</u> | <u>-</u> | <u>-</u> |
| NON-CURRENT | | | | |
| Research and development — at cost | 4,897 | 4,251 | - | - |
| Accumulated amortisation | (1,949) | (1,700) | - | - |
| | <u>2,948</u> | <u>2,551</u> | <u>-</u> | <u>-</u> |
| a. Research and development costs incurred during the year and deferred to future years. | 646 | 1,148 | - | - |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

| | Economic Entity | | Parent Entity | |
|---|-----------------|--------|---------------|-------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$000 | \$000 | \$000 | \$000 |
| NOTE 20: PAYABLES | | | | |
| CURRENT | | | | |
| Unsecured liabilities | | | | |
| Trade creditors | 17,125 | 12,717 | - | - |
| Sundry creditors and accrued Expenses | 1,755 | 1,449 | - | - |
| Other | 70 | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 18,950 | 14,166 | - | - |
| NOTE 21: INTEREST BEARING LIABILITIES | | | | |
| CURRENT | | | | |
| Secured liabilities | | | | |
| Bank overdrafts | 21a | 2,433 | 8,045 | - |
| Hire Purchase Liability | | 580 | 480 | - |
| | | <hr/> | <hr/> | <hr/> |
| | | 3,013 | 8,525 | - |
| NON-CURRENT | | | | |
| Secured liabilities | | | | |
| Bank bills | 21a | 10,995 | 4,075 | - |
| Hire Purchase liability | 21a | 840 | 1,045 | - |
| | | <hr/> | <hr/> | <hr/> |
| | | 11,835 | 5,120 | - |
| a. Total current and non-current secured liabilities: | | | | |
| Bank overdraft | | 2,433 | 8,045 | - |
| Bank Bills | | 10,995 | 4,075 | - |
| Hire Purchase Liability | | 1,420 | 1,525 | - |
| | | <hr/> | <hr/> | <hr/> |
| | | 14,848 | 13,645 | - |

The bank overdraft and bill facilities are secured by

- b) i.) First registered mortgages over the whole of the assets and undertakings including uncalled capital of the following companies; Legend Corporation Ltd, Legend (Australasia) Pty Ltd and Legend (Pacific) Pty Ltd.
- ii.) A letter of Acknowledgement by LEGEND (AUSTRALASIA) PTY LTD over
- USD Term Deposit and Cash Call Accounts matching amount of ISLCs issued under UDS\$3.0M Cash Secured Revolving OSLC Facility.
- iii.) Assignment by LEGEND (AUSTRALASIA) PTY LTD over QBE TRADE INDEMNITY INSURANCE
- c) Secured hire purchase liabilities are secured by a charge over the assets subject to hire purchase.

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 22: TAX LIABILITIES

| | Economic Entity | | Parent Entity | |
|-----------------------------------|------------------------|--------------|----------------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$000 | \$000 | \$000 | \$000 |
| CURRENT | | | | |
| Income tax | 1,338 | 395 | - | - |
| NON-CURRENT | | | | |
| Provision for deferred income tax | 103 | - | - | - |

NOTE 23: PROVISIONS

| | | | | | |
|---|-----|-----|-----|---|---|
| CURRENT | | | | | |
| Employee entitlements | 23a | 247 | 200 | - | - |
| Warranties | 23c | 617 | 566 | - | - |
| | | 864 | 766 | - | - |
| NON-CURRENT | | | | | |
| Employee entitlements | 23a | 85 | 91 | - | - |
| a. Aggregate employee benefits liability | | 332 | 291 | - | - |
| b. Number of employees at year-end | | 119 | 83 | - | - |
| c. Provisions for Warranties | | | | | |

A provision of \$617,000 has been recognised for estimated warranty claims in respect of products and services sold which are still under warranty at balance date. The provision for warranties has been based upon total sales for the last five years and the historical percentage of claims made in relation to total sales.

| | | | | |
|---|-----|------|---|---|
| Provision for warranty claims at 1 July-2004 | 566 | - | - | - |
| Addition through acquisition of entity | - | 582 | - | - |
| Increased anticipated claims during the year | 51 | (16) | - | - |
| Provision for warranty claims at 30 June 2005 | 617 | 566 | - | - |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 24: CONTRIBUTED EQUITY

| | Economic Entity | | Parent Entity | |
|---|-----------------|---------------|---------------|---------------|
| | 2005 \$000 | 2004 \$000 | 2005 \$000 | 2004 \$000 |
| 68,832,765 (2004, 67,820,502) fully paid ordinary shares) | 17,001 | 16,979 | 17,001 | 16,979 |
| a. Ordinary shares | | | | |
| At the beginning of the reporting period | 16,979 | - | 16,979 | - |
| Shares issued during the year | | | | |
| - 49,632,000 on 16 January 2004 | | 9,700 | | 9,700 |
| - 2,187,000 on 16 March 2004 | 33 | - | | - |
| - 16,000,000 on 16 March 2004 | | 8,000 | | 8,000 |
| - 20305 issued on 15 October 2004 | 10 | - | 10 | - |
| - 100,000 issued on 10 December 2004 | - | - | - | - |
| - 22,488 issued on 15 April 2005 | 12 | - | 12 | - |
| - 885,000 issued on 30 June 2005 | 33 | - | - | - |
| Shares bought back during the year | 17,001 | 17,700 | 17,001 | 17,700 |
| - 15500 on 22 November 2004 | - | - | - | - |
| Transaction costs relating to share issues | - | (721) | - | (721) |
| At reporting date | 17,001 | 16,979 | 17,001 | 16,979 |
| | No | No | No | No |
| At the beginning of reporting period | 67,820,502 | 2 | 67,820,502 | 2 |
| Shares issued during year | | | | |
| - 16 January 2004 | - | 49,632,000 | - | 49,632,000 |
| - 16 March 2004 | 33 | 2,188,500 | - | 2,188,500 |
| - 16 March 2004 | | 16,000,000 | - | 16,000,000 |
| - 15 October 2004 | 20,305 | - | 20,305 | - |
| - 10 December 2004 | 100,000 | - | 100,000 | - |
| - 15 April 2005 | 22,458 | - | 22,458 | - |
| - 30 June 2005 | 33 | - | 885,000 | - |
| Shares bought back during the year | | | | |
| - 15500 on 22 November 2004 | (15,500) | - | (15,500) | - |
| At reporting date | 68,832,765 | 67,820,502 | 68,832,765 | 67,820,502 |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 24: Contributed Equity (continued)

On 15 October 2004 the company issued 20305 ordinary shares at 52.32 cents each to shareholders under the Dividend Reinvestment plan.

On 10 December 2004 the company issued 100,000 ordinary shares at Nil consideration to Simon Forth under the Employee Share Scheme.

On 15 April 2005 the company issued 22458 ordinary shares at 53.55 cents each to shareholders under the Dividend Reinvestment Plan.

On 30 June 2005 the company issued 885,000 ordinary shares under the Employee Share Scheme at Nil consideration.

On 22 November 2004 the company bought back 15,500 ordinary shares under the Employee Share Scheme from employees who left the employment of the group. Consideration paid was \$0.01 per share and the full amount of the purchase consideration was debited to contributed capital.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Options

- i. For information relating to the Legend Corporation Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 33.
- ii. For information relating to share options issued to directors during the financial year, refer to Note 33.

At 30 June 2005, there were 900,000 unissued ordinary shares for which options were outstanding.

c. Employee share scheme

For information relating to the Legend Corporation Limited Employee Share Scheme, including details of shares issued during the financial year, refer to Note 33.

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

| | Note | Economic Entity | | Parent Entity | |
|---|------|-----------------|---------------|---------------|---------------|
| | | 2005 \$000 | 2004 \$000 | 2005 \$000 | 2004 \$000 |
| NOTE 25: RESERVES | | | | | |
| Foreign currency translation | 25a | (24) | 259 | - | - |
| | | (24) | 259 | - | - |
| (a) Foreign Currency Translation Reserve | | | | | |
| Movements During the Year | | | | | |
| Opening balance | | 259 | - | - | - |
| Adjustment arising from the translation of foreign controlled entities' financial statements | | (283) | 259 | - | - |
| Closing balance | | (24) | 259 | - | - |
| The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary | | | | | |
| NOTE 26: RETAINED PROFITS | | | | | |
| Retained profits at the beginning of the financial year | | 2,602 | - | 216 | - |
| Net profit attributable to the members of the parent entity | | 4,712 | 2,602 | 1,019 | 216 |
| Dividends provided for or paid | 7 | (1,018) | - | (1,018) | - |
| Retained profits at the end of the financial year | | 6,296 | 2,602 | 217 | 216 |
| NOTE 27: OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES | | | | | |
| Outside equity interest comprises: | | | | | |
| Share capital | | - | 2 | - | - |
| Accumulated profit/(losses) | | 107 | (2) | - | - |
| | | 107 | - | - | - |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

**NOTE 28: CAPITAL AND LEASING
COMMITMENTS**

| | Economic Entity | | Parent Entity | |
|---|-----------------|---------------|---------------|---------------|
| | 2005 \$000 | 2004 \$000 | 2005 \$000 | 2004 \$000 |
| a. Hire Purchase Commitments Payable | | | | |
| - not later than 1 year | 664 | 575 | - | - |
| - later than 1 year but not later than 5 years | 926 | 1,137 | - | - |
| Minimum Hire Purchase payments | 1590 | 1,712 | - | - |
| Less future finance charges | 170 | 187 | - | - |
| Total Hire Purchase Liability | 21 | 1420 | - | - |
| b. Operating Lease Commitments | | | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements Payable | | | | |
| - not later than 1 year | 37 | 147 | - | - |
| - later than 1 year but not later than 5 years | - | 37 | - | - |
| - later than 5 years | - | - | - | - |
| | 37 | 184 | - | - |

The property lease is a non-cancellable lease expiring on 31 October 2005, with rent payable monthly in advance. Annual rental is \$147,000 per annum. An option exists to renew the lease at the end of the term for an additional 2 terms of three years each.

The lease is otherwise on standard terms and conditions for a document of this nature.

c. Capital Expenditure Commitments

There were no capital expenditure commitments as at 30 June 2005.

**NOTE 29: CONTINGENT LIABILITIES AND
CONTINGENT ASSETS**

Estimates of the potential financial effect of contingent liabilities, that may become payable:

Contingent liabilities

There are no known contingent liabilities at year end

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE: 30 SEGMENT REPORTING

Primary reporting – Business Segment

The economic entity carries on, the business of design, manufacture and distribution of memory modules, including computer components and consumer electronic products. The economic entity does not operate in any other business segments.

Secondary reporting — Geographical segments

| | Segment Revenues from External Customers | | Carrying Amount of Segment Assets | | Acquisitions of Non-current Segment Assets | |
|------------------------|--|----------------|---|---------------|--|--------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Geographical location: | | | | | | |
| Australia | 100,425 | 86,928 | 41,810 | 42,038 | 2,343 | 1,770 |
| New Zealand | 15,004 | 5,744 | 3,776 | 2,396 | 12 | 44 |
| Hong Kong | 49,252 | 31,222 | 2,334 | 3,544 | 1 | 23 |
| Thailand | 5,539 | 419 | 3,700 | 539 | 3 | 3 |
| South Africa | 1,314 | - | 2,749 | - | 8 | - |
| Singapore | 588 | - | 1,408 | - | 10 | - |
| Taiwan | 5,593 | - | 3,762 | - | 15 | - |
| | 177,715 | 124,313 | 59,539 | 48,517 | 2,392 | 1,840 |

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists.

Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegmental transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length. These transfers are eliminated on consolidation.

Business and Geographical Segments

Business Segments

The economic entity has the following business segment:

- Manufacturing and distribution of computer memory modules and related computer components

Geographical Segments

The economic entity's business segments are located in Australia, New Zealand, Hong Kong, Thailand, South Africa, Singapore and Taiwan

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

| NOTE 31: CASH FLOW INFORMATION | Economic Entity | | Parent Entity | |
|---|-----------------|----------------|---------------|---------------|
| | 2005 \$000 | 2004 \$000 | 2005 \$000 | 2004 \$000 |
| a. Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax | | | | |
| Profit from ordinary activities after income tax | 4,819 | 2,600 | 1,019 | 216 |
| Non-cash flows in profit from ordinary activities | | | | |
| Amortisation | 171 | 113 | - | - |
| Depreciation | 743 | 360 | - | - |
| Write-off of capitalised expenditure | 249 | 204 | - | - |
| Net loss/(profit) on disposal of property, plant and equipment | (123) | 1 | - | - |
| Non cash dividend received | - | - | (1,019) | - |
| Net movement in foreign currency translation reserve | (283) | 260 | - | - |
| Share of associated companies net profit after income tax and dividends | 55 | (83) | - | - |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries | | | | |
| Increase/(decrease) in trade debtors | (7,239) | (4,170) | - | - |
| Increase in loan to subsidiary | - | - | (86) | - |
| Increase in other debtors | (893) | (27) | - | - |
| Increase/(decrease) in prepayments | (121) | 69 | - | - |
| Increase/(decrease) in inventories | (4,343) | (11,420) | - | - |
| (Increase)/decrease in trade creditors and accruals | 3053 | 4,906 | - | - |
| Increase/(decrease) in income taxes payable | 936 | 395 | - | - |
| Increase/(decrease) in deferred tax assets | 43 | (272) | 86 | (216) |
| Increase/(decrease) in provisions | 139 | (541) | - | - |
| Cash flow from operations | <u>(2,794)</u> | <u>(7,605)</u> | - | - |

b. Acquisition of Entities

During the year 50% of the controlled entity Legend (R SA) Pty Ltd (formerly Memory Performance Pty Ltd) was acquired. Details of this transaction are:

| | | | | |
|-----------------------------------|---|-------|---|-------|
| Purchase consideration | - | 9,700 | - | 9,700 |
| Cash consideration | - | - | - | - |
| Amount due under contract of sale | - | - | - | - |
| Cash outflow/inflow | - | - | - | - |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

| NOTE 31: CASH FLOW INFORMATION (Continued) | Economic Entity | | Parent Entity | |
|---|------------------------|-----------------------|-----------------------|-----------------------|
| | 2005 \$000 | 2004 \$000 | 2005 \$000 | 2004 \$000 |
| Assets and liabilities held at acquisition date: | | | | |
| Cash Assets | 316 | 4,354 | - | - |
| Receivables | 756 | 10,592 | - | - |
| Intangibles | - | 2,367 | - | - |
| Inventories | 278 | 5,138 | - | - |
| Other | - | 180 | - | - |
| Deferred Tax Assets | (110) | 114 | - | - |
| Property, plant and equipment | 510 | 2,840 | - | - |
| Payables | (1,748) | (10,323) | - | - |
| Provisions | - | (1,397) | - | - |
| Interest Bearing liabilities | - | (7,501) | - | - |
| | 2 | 6,364 | - | - |
| Goodwill on consolidation | (2) | 3,336 | - | - |
| Outside equity interests in acquisitions | - | - | - | - |
| | - | 9,700 | - | - |

- d. Non-cash Financing and Investing Activities
- i. During the year the economic entity acquired plant and equipment with an aggregate value of \$414,000
2004:\$317,060 by means of commercial hire purchase. These acquisitions are not reflected in the statement of cash flows
- ii. During the year the parent entity issued 42,763 ordinary shares under the Dividend Reinvestment Scheme with an aggregate value of \$22,649. This is not reflected in the statement of cash flows.
- e. Credit Standby Arrangements with Banks

| | Economic Entity | | Parent Entity | |
|------------------------|------------------------|-----------------------|-----------------------|-----------------------|
| | 2005 \$000 | 2004 \$000 | 2005 \$000 | 2004 \$000 |
| Credit facility | 19,928 | 15,500 | - | - |
| Amount utilised | (14,667) | (13,646) | - | - |
| Unused credit facility | 5,261 | 1,854 | - | - |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

The major facilities are summarised as follows:

Legend (Australasia) Pty Limited, a wholly owned subsidiary of the Company has various financing facilities with the Commonwealth Bank of Australia ("CBA") totalling \$15.5 million. These facilities comprise an invoice discounting facility (discussed further below), a standby bill facility, a trade finance facility and an instalment credit facility. In addition, the Company also has in place arrangements with the CBA to provide cash secured US dollar denominated letter of credit facility for a further \$3 million.

The facilities are reviewed annually, with the next review due in October 2004.

Legend (Australasia) Pty Ltd has entered into a factoring agreement with CBA for the purposes of the invoice discounting facility. This facility provides for the purchase by CBA of trade debts of Legend (Australasia) at the discretion of CBA upon an offer for such purchase being made by Legend (Australasia). Legend (Australasia) must pay to CBA a monthly servicing fee of \$3,000 and a monthly discount calculated at a rate equal to CBA's Overdraft Index Rate plus a margin of 0.25% as against the debit balance of Legend (Australasia)'s bank account established for the purposes of the factoring agreement. These amounts are exclusive of goods and services tax which component is required to be paid by Legend (Australasia). The agreement is otherwise on terms and conditions customary for a document of this nature.

The Company considers that the terms of the facilities and associated securities are standard for arrangements of this nature.

NOTE 32: ECONOMIC DEPENDENCY

The group has no significant dependence on any single or group of suppliers or customers.

NOTE 33: EMPLOYEE BENEFITS

Employee Share Option Arrangement

On 16 March 2004, 900,000 share options were granted to directors. 300,001 2 year options at an exercise price of \$0.60 per share, 300,001 3 year options at an exercise price of \$0.70 per share and 299,998 4 year options at an exercise price \$0.80 per share. The options vest after 12 months. The options hold no voting or dividend rights and are not transferable. When a director ceases employment the options are deemed to have lapsed. Since balance date, no director has ceased their employment. At balance date, no share option has been exercised.

The closing share market price of an ordinary share on the Australian Stock Exchange at 30 June 2005, was \$0.60

| | Economic Entity | | Parent Entity | |
|--|-----------------|----------------|----------------|----------------|
| | 30.6.05 No. | 30.6.04 No. | 30.6.05 No. | 30.6.04 No. |
| a. Movement in the number of share options held by directors are as follows: | | | | |
| Opening balance | 900,000 | - | 900,000 | - |
| Granted during the year | - | 900,000 | - | 900,000 |
| Exercised during the year | - | - | - | - |
| Lapsed during the year | - | - | - | - |
| Closing Balance | <u>900,000</u> | <u>900,000</u> | <u>900,000</u> | <u>900,000</u> |
| b. No options were exercised during the year | | | | |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 33: EMPLOYEE BENEFITS (Continued)

c. Details of share options outstanding as at end of year:

| Grant Date | Expiry and Exercise Date | Exercise Price | Economic Entity | | Parent Entity | |
|---------------|--------------------------|----------------|-----------------|----------------|----------------|----------------|
| | | | 30.6.05 No. | 30.6.04 No. | 30.6.05 No. | 30.6.04 No. |
| 16 March 2004 | 31 March 2006 | \$0.60 | 300,001 | 300,001 | 300,001 | 300,001 |
| 16 March 2004 | 31 March 2007 | \$0.70 | 300,001 | 300,001 | 300,001 | 300,001 |
| 16 March 2004 | 31 March 2008 | \$0.80 | 299,998 | 299,998 | 299,998 | 299,998 |
| | | | <u>900,000</u> | <u>900,000</u> | <u>900,000</u> | <u>900,000</u> |

Employee Share Arrangement

The Company has established an employee share plan ("ESP") by which the Company's Board may issue Shares to employees of the Company or its subsidiaries, including executive directors. The ESP will be administered in accordance with the terms of the ESP rules, which are summarised below.

Shares may be issued under the ESP at the discretion of the Board to employees of the Company or its subsidiaries (including executive directors) upon such terms as the Board may determine including restrictions as to when Shares issued under the ESP are to be sold by participating employees. Any proposed issue of Shares to executive directors will require shareholder approval under the Listing Rules.

The issue price of Shares under the ESP is dependent on the time of issue.

The Company may issue up to 3.168 million Shares under the ESP for no consideration. The Company issued 2.187 million of these Shares contemporaneously with the Offer under the Prospectus in 2004. A further 100,000 shares were issued on 10th December 2004 and 885,000 shares were issued on 30th June 2005. The balance of these shares may be issued over the next 4 years.

During the above period and subsequently, the Company may also issue further Shares under the ESP at a price equal to 90% of the weighted average ASX market price for Shares during the 5 trading days before the date of invitation to participate.

Shares issued under the ESP will be ordinary fully paid Shares in the Company and from date of issue will rank equally with all other ordinary fully paid Shares in the Company.

| | Number of shares granted | Fair value at issue date per share | Fair value at Issue Date: Aggregate |
|------------------------------|--------------------------|------------------------------------|-------------------------------------|
| | | \$ | \$000 |
| 16 March 2004 - issued | 2,187,000 | 0.59 | 1,290 |
| 22 November 2004 bought back | (15,500) | - | - |
| 10 December 2004 - issued | 100,000 | 0.53 | 53 |
| 30 June 2005 - issued | <u>855,000</u> | 0.60 | 831 |
| Total issued | <u>3,131,318</u> | | |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

| | Economic Entity | | Parent Entity | |
|--|------------------------|--------------|----------------------|--------------|
| NOTE 35: RELATED PARTY TRANSACTIONS | 2005 | 2004 | 2005 | 2004 |
| | \$000 | \$000 | \$000 | \$000 |
| Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. | | | | |
| Transactions with related parties: | | | | |
| i. Associated Companies | | | | |
| Sales of memory modules. | 4,140 | 3,787 | - | - |
| ii. Director-related Entities | | | | |
| Legend (Australasia) Pty Ltd leases a number of properties from the Vicsa Computercraft Property Trust and The Shortstop Trust. Both entities are controlled and owned by Bradley and Louise Dowe. | 286 | 74 | - | - |

NOTE 36: FINANCIAL INSTRUMENTS

a. Financial Instruments

Forward Exchange Contracts

The economic entity enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the economic entity against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies. The accounting policy in regard to forward exchange contracts is detailed in Note 1i.

At balance date, the details of outstanding forward exchange contracts are:

| Buy Australian Dollars Settlement | Sell United States Dollars | | Average Exchange Rate | |
|--------------------------------------|----------------------------|-------|-----------------------|------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$000 | \$000 | \$ | \$ |
| Less than 6 months | - | 5,716 | - | .70 |
| 6 months to 1 year | - | - | - | - |

| | Economic Entity | |
|--|------------------------|--------------|
| | 2005 | 2004 |
| | \$000 | \$000 |
| Gains or losses, deferred or unrecognised, from forward exchange contracts | | |
| Deferred | | |
| Unrealised losses and contract costs | - | - |
| Realised and unrealised gains | - | 8 |
| | - | (8) |
| Unrecognised | | |
| Unrealised losses | - | - |
| Unrealised gains | - | - |
| | - | - |
| Net gains and losses | - | (8) |

Deferred, realised and unrealised gains are brought to account in Other Current Payables, Note 20.

NOTE: 36 FINANCIAL INSTRUMENTS (Continued)

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

b. Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

| | Fixed Interest Rate Maturing | | | | | | | | | | | | | |
|------------------------------------|---|-------------|-------------------------------|---------------|---------------------|--------------|---------------------|--------------|---------------------|-------------|-----------------------------|---------------|---------------|---------------|
| | Weighted Average Effective Interest Rate | | Floating Interest Rate | | Within 1Year | | 1 to 5 Years | | Over 5 Years | | Non-interest Bearing | | Total | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | | | \$000 | | \$000 | | \$000 | | \$000 | | \$000 | | \$000 | |
| Financial Assets: | | | | | | | | | | | | | | |
| Cash | 6.4 | 5.0 | 94 | 6,666 | - | - | - | - | - | - | 3,945 | 1,304 | 4,039 | 7,970 |
| Receivables | - | - | - | - | - | - | - | - | - | - | 23,719 | 14,850 | 23,719 | 14,850 |
| Total Financial Assets | | | 94 | 6,666 | - | - | - | - | - | - | 27,664 | 16,154 | 27,758 | 22,820 |
| Financial Liabilities: | | | | | | | | | | | | | | |
| Bank loans and overdrafts | 9.7 | 9.7 | 2,433 | 8,045 | - | - | - | - | - | - | - | - | 2,433 | 8,045 |
| Bills of exchange | 5.68 | 5.75 | - | - | - | 4,075 | 10,995 | - | - | - | - | - | 10,995 | 4,075 |
| Trade and sundry creditors | - | - | - | - | - | - | - | - | - | - | 18,950 | 14,166 | 18,950 | 14,166 |
| Parties | | | | | | | | | | | | | | |
| Hire purchase liabilities | 7.26 | 6.1 | - | - | 580 | 480 | 840 | 1,045 | - | - | - | - | 1,420 | 1,525 |
| Forward exchange contracts | - | - | - | 5,716 | - | - | - | - | - | - | - | - | - | 5,716 |
| Total Financial Liabilities | | | 2,433 | 13,761 | 580 | 4,555 | 11,835 | 1,045 | - | - | 18,950 | 14,166 | 33,798 | 33,527 |

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 36: FINANCIAL INSTRUMENTS (Continued)

c. Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts and interest rate swaps is the net fair value of these contracts as disclosed in note d.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

d. Net Fair Values

The aggregate carrying amount of recognised financial assets and financial liabilities approximates net fair value. The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

Cash, cash equivalent and short-term investments; The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and payables; The carrying amount approximates fair value.

Other loans; The carrying amount approximates fair value.

Borrowings; The carrying amount approximates fair value.

The net fair values of fixed interest securities are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.

For forward exchange contracts the net fair value is the recognised unrealised gain or loss at balance date determined from the current forward exchange rates for contracts with similar maturities.

For other assets and other liabilities the net fair value approximates their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than forward exchange contracts.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

The net fair value of financial assets and financial liabilities were not materially different to carrying amounts as at balance date.

NOTE 37: COMPANY DETAILS

The registered office of the company is:

Legend Corporation Limited
31-35 Conmurra Avenue, Edwardstown, SA 5039

The principal places of business are:

Legend Corporation Limited
31-25 Conmurra Avenue, Edwardstown SA 5039

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

DIRECTORS DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages to are in accordance with the *Corporations Act 2001*:
 - a. Comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b. Give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the company and economic entity;
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) The financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) The financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) The financial statements and notes for the financial year give a true and fair view.
3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The company and wholly owned subsidiaries, Legend (Australasia) Pty Ltd and Legend (Pacific) Pty Ltd have entered into a deed of cross guarantee under which the company and its Australian subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



Paul D Teisseire - Director

Dated this 15th day of August 2005

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES



MGI CAULFIELD & CO
CHARTERED ACCOUNTANTS

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LEGEND CORPORATION LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Legend Corporation Limited (the company) and Legend Corporation Limited (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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TEL: 08 8272 6800 FAX: 08 8373 1451 FREECALL: 1 800 811 610 EMAIL: reception@mgisa.com.au

Directors: Desmond A. Caulfield, Peter K. Whitehead, Stephen J. Bray, Nicholas R. Moncrieff, Robert Lanzilli

Caulfield & Co Pty Ltd, ABN 96 007 851 569

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ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES



MGI CAULFIELD & CO
CHARTERED ACCOUNTANTS

Legend Corporation Limited A.B.N 69 102 631 087 and Controlled Entities

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LEGEND CORPORATION LIMITED

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.
In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page of the financial report has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion, the financial report of Legend Corporation Limited is in accordance with:

- a. the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- b. other mandatory professional reporting requirements in Australia.

MGI Caulfield & Co
MGI CAULFIELD & CO
CHARTERED ACCOUNTANTS

P K Whitehead
P K Whitehead – Partner

15th August 2005

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