

Appendix 4D

Half yearly report

Name of entity

LEMARNE CORPORATION LIMITED

ABN or equivalent company reference

72 004 834 584

Half yearly (*tick*)

Half year ended ('current period')

31 DECEMBER 2003

For announcement to the market

			\$A'000
Revenues from ordinary activities	up /down	47% to	30,696
Profit (loss) from ordinary activities after tax attributable to members	up /down	59% to	905
Net profit (loss) for the period attributable to members	up /down	59% to	905
Dividends (distributions)	Amount per security		Franked amount per security
Interim dividend *	5.0¢		5.0¢
Previous corresponding period	7.5¢		7.5¢
	Current period \$A'000	Previous corresponding period - \$A'000	
+ Ordinary securities	* 890	1,240	
Total	890	1,240	
†Record date for determining entitlements to the dividend,		19 March 2004	
* The interim dividend was declared after 31 December 2003 and is therefore not provided for in the accounts for the Half Year ended 31 December 2003.			

This half year report is to be read in conjunction with the most recent annual financial report.

LEMARNE CORPORATION LIMITED A.B.N. 72 004 834 584 AND ITS CONTROLLED ENTITIES
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2003

	Note	Consolidated 2003 \$000	2002 \$000
Revenue from sale of goods		29,982	56,835
Cost of goods sold		<u>(22,105)</u>	<u>(40,582)</u>
Gross Profit		7,877	16,253
Other revenues from ordinary activities		714	552
Selling and distribution expenses		(2,135)	(4,918)
Administration expenses		(4,382)	(6,922)
Borrowing costs		(50)	(311)
Other expenses from ordinary activities		<u>(98)</u>	<u>(282)</u>
Profit/(loss) from ordinary activities before income tax expense	2	1,926	4,372
Income tax (expense)/benefit		<u>(625)</u>	<u>(960)</u>
Profit/(loss) from ordinary activities after income tax expense		1,301	3,412
Net profit/(loss) attributable to outside equity interests		<u> 396</u>	<u>1,179</u>
Net profit/(loss) attributable to members of the parent entity		905	2,233
Non-owner transaction changes in equity			
Increase/(decrease) in asset revaluation reserve		(34)	(271)
Net exchange difference on translation of financial statements of self- sustaining foreign operations		<u>(840)</u>	<u> 346</u>
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		<u>(874)</u>	<u> 75</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u> 31</u>	<u>2,308</u>
Basic earnings per share (cents)		\$0.061	\$0.135
Diluted earnings per share (cents)		\$0.061	\$0.135

The statement of financial performance is to be read in conjunction with notes 1 to 10 to the half-year financial statements.

LEMARNE CORPORATION LIMITED A.B.N. 72 004 834 584 AND ITS CONTROLLED ENTITIES**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2003**

	Note	Consolidated 31 December 2003 \$000	30 June 2003 \$000
Current assets			
Cash assets		25,995	32,627
Receivables		8,075	11,351
Inventories		7,956	8,547
Other assets		<u>776</u>	<u>377</u>
TOTAL CURRENT ASSETS		<u>42,802</u>	<u>52,902</u>
Non-current assets			
Property, plant and equipment		10,276	9,634
Deferred tax assets		681	743
Intangibles		<u>363</u>	<u>398</u>
TOTAL NON-CURRENT ASSETS		<u>11,320</u>	<u>10,775</u>
TOTAL ASSETS		<u>54,122</u>	<u>63,677</u>
Current liabilities			
Payables		9,396	10,920
Interest bearing liabilities		911	1,437
Current tax liabilities		282	164
Provisions		1,108	1,315
Other liabilities		<u>-</u>	<u>92</u>
TOTAL CURRENT LIABILITIES		<u>11,697</u>	<u>13,928</u>
Non-current liabilities			
Interest bearing liabilities		350	250
Deferred tax liabilities		487	334
Provisions		398	419
Other liabilities		<u>55</u>	<u>60</u>
TOTAL NON-CURRENT LIABILITIES		<u>1,290</u>	<u>1,063</u>
TOTAL LIABILITIES		<u>12,987</u>	<u>14,991</u>
NET ASSETS		<u>41,135</u>	<u>48,686</u>
Equity			
Contributed equity	4	11,434	4,574
Reserves		249	1,123
Retained profits	5	<u>29,452</u>	<u>31,820</u>
TOTAL PARENT ENTITY INTERESTS		41,135	37,517
Outside equity interests in controlled entities		<u>-</u>	<u>11,169</u>
TOTAL EQUITY		<u>41,135</u>	<u>48,686</u>

The statement of financial position is to be read in conjunction with notes 1 to 10 to the half-year financial statements.

LEMARNE CORPORATION LIMITED A.B.N. 72 004 834 584 AND ITS CONTROLLED ENTITIES

Statement of Cash Flows
For the Half Year Ended 31 December 2003

	Consolidated	
	2003	2002
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	34,938	59,165
Cash payments in the course of operations	(31,432)	(48,720)
Interest received	640	230
Borrowing costs paid	(50)	(311)
Income tax paid	(247)	(343)
Net cash provided by operating activities	<u>3,849</u>	<u>10,021</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of plant and equipment	23	52
Payments for controlled entities/business purchased	(99)	-
Payments for costs of disposal of business/controlled entity	(352)	-
Payments for plant and equipment	(2,179)	(1,591)
Net cash provided by/(used in) investing activities	<u>(2,607)</u>	<u>(1,539)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares to outside equity interests	-	50
Payment for share buy-back	(6,002)	-
Proceeds from borrowings	207	9
Repayment of borrowings	(131)	(4,301)
Dividends paid - members of parent entity	(992)	(827)
Dividends paid - outside equity interests	(382)	-
Net cash provided by/(used in) financing activities	<u>(7,300)</u>	<u>(5,069)</u>
Net increase/(decrease) in cash held	<u>(6,058)</u>	<u>3,413</u>
Cash at the beginning of the financial year	31,468	10,355
Exchange rate adjustments	(72)	(4)
Cash at the end of the period	<u>25,338</u>	<u>13,764</u>

The statement of cash flows is to be read in conjunction with notes 1 to 10 to the half-year financial statements.

LEMARNE CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2003

1. Statement of significant accounting policies
2. Profit/(loss) from ordinary activities
3. Dividends provided for or paid
4. Contributed equity
5. Retained profits
6. NTA Backing
7. Contingent liabilities and contingent assets
8. Segment reporting
9. Discontinuing operations
10. Events subsequent to balance date

LEMARNE CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2003

1. **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

(a) **Basis of preparation of half-year financial report**

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting". The recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half-year financial report is to be read in conjunction with the 30 June 2003 Annual Financial Report and any public announcements by Lemarne Corporation Limited and its Controlled Entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

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

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2003 Annual Financial Report.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

(b) **Changes in accounting policies**

The consolidated entity has applied the following new or revised accounting standards/pronouncements for the first time from 1 July 2003:

UIG 52 "Accounting for income tax consolidations (revised)"

There was no material impact on opening retained profits at 1 July 2003 or on net profit for the current half-year to 31 December 2003 arising from the application of this pronouncement.

LEMARNE CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2003

		Consolidated	
		2003	2002
		\$000	\$000
2.	<u>PROFIT/(LOSS) FROM ORDINARY ACTIVITIES</u>		
	(a) Individually significant items included in profit/(loss) from ordinary activities before income tax expense.		
	Bad and doubtful debts ¹	474	-
	Redundancy and one-off employee costs ²	99	-
	Lemvest takeover costs ³	47	-
	Share buy-back costs ⁴	(19)	-
	Provision for write down of inventories ⁵	455	629
	1 Relating to bad and doubtful debts at Lemtronics		
	2 At Pacific Composites. The redundancy costs are included in other expenses.		
	3 Costs related to takeover of minority interest in Lemvest		
	4 Balance of costs relating to HGL takeover bid, most costs were incurred in 2002/03		
	5 Largely at Lemtronics and Pacific Composites		

3. DIVIDENDS PROVIDED FOR OR PAID

The amounts paid, declared or provided for by of dividend by the parent entity are:

(i)	a final fully franked dividend at 30% of 7.5 cents per share in respect of the year ended 30 June 2003 was paid on 31 October 2003 which was not provided for at 30 June 2003	992	-
(ii)	no interim dividend was declared (2002 – 7.5 cents per share fully franked at 30% was declared prior to 31 December 2002 and paid on 28 March 2003)	-	1,240
(iii)	since the half year end an interim fully franked ordinary dividend of 5 cents per share has been declared payable on 23 February 2004	-	-
	Total dividends in accounts	992	1,240

4. CONTRIBUTED EQUITY

Issued and paid up capital

	31 December 2003	30 June 2003
17,808,333 (2002 - 16,536,466) ordinary shares fully paid	11,434	4,574

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

LEMARNE CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2003

4. CONTRIBUTED EQUITY (CONTINUED)

Issued and paid up capital (cont.)

On 15 September 2003 the Company cancelled 3,306,369 ordinary shares following the approval of shareholders to a selective share buy-back of all shares held by HGL Group Pty Ltd. The capital portion of the share buy-back was \$1.11 per share.

On 15 October 2003 the Company launched a takeover bid for the shares in Lemvest Limited (not held by Lemarne). The offer comprised of 6 Lemarne shares for every 5 shares in Lemvest. As a result of the takeover 4,367,984 shares were issued on 23 December 2003. The takeover was completed and the balance of Lemvest shares acquired via late acceptances and compulsory acquisition effective 31 December 2003, resulting in a further 210,252 shares being issued.

Lemarne Corporation Limited's share price at 31 December 2003 was \$2.30 (30 June 2003: \$1.90).

On 28 January 2000 the Company granted options over 75,000 unissued ordinary shares under the Key Executive Option Plan No.3 approved by shareholders to an executive of the Pacific Composites Group at an exercise price of \$3.08. On 15 February 2002 the Company granted a further 200,000 options over unissued ordinary shares to an employee of the Company at an exercise price of \$1.44 under the Key Executive Option Plan No.4. On 1 November 2002, after approval by shareholders at the AGM, a further 250,000 options over unissued ordinary shares were granted to two executive directors of the Company at an exercise price of \$1.49 under the Key Executive Option Plan No. 6, and on 31 October 2003, again after approval by shareholders at the AGM, a further 500,000 options were granted to two executive directors of the Company at an exercise price of \$2.67 per share under the same Plan.

Under the plans 50 per cent of the options granted may be exercised after the second anniversary but before the fourth, while the outstanding options may be exercised after the fourth anniversary but before the fifth.

	Consolidated	
	2003	2002
	\$000	\$000
5. <u>RETAINED PROFITS</u>		
Balance at beginning of half year	31,820	24,300
Net profit/(loss) attributable to members of the parent entity	905	2,233
Dividends	(992)	(1,240)
Share buy-back *	(2,281)	-
Transfer from reserves	<u>-</u>	<u>271</u>
Balance at end of half year	<u>29,452</u>	<u>25,564</u>

* In relation to the selective share buy-back, the deemed dividend was 69 cents per share on 3,306,369 shares held by HGL Group Pty Ltd.

	31 December 2003	30 June 2003
6. <u>NTA BACKING</u>		
Net tangible asset backing per ordinary security	<u>\$2.29</u>	<u>\$2.24</u>

LEMARNE CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2003

	Consolidated	
31 December	30 June	2003
2003	2003	2003
\$000	\$000	\$000

7. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Other than as set out below, there were no material changes in contingent liabilities or contingent assets since 30 June 2003.

Contingent liabilities

In respect of related entities:

(a) Unlimited guarantee by the parent entity of bank accommodation of controlled entities	1,261	1,688
(b) In respect of letters of credit established by controlled entities which are payable to the bank	1,501	-
(c) The parent entity is a defendant in a legal action involving the alleged unfair dismissal of its former Managing Director. The Company has denied the claim and is challenging it.	198	198

Service agreements

The maximum contingent liability of the Company and its subsidiaries for termination benefits under service agreements with directors and persons who take part in the management of the Company as at balance date

	568	564
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8. SEGMENT REPORTING

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest or dividend earning assets and revenue, interest bearing borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

LEMARNE CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2003

8. **SEGMENT REPORTING (CONTINUED)**

Business segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

Electronics	Electronic sub-assemblies used mainly in the power tool, telecommunications, automotive and security industries.
Construction and mining	Sheet metal work, flooring, data cabinets and polyurethane screening systems.
Reinforced plastics	Pultruded products including tension members, mine bolts, grating, cable support systems, angles, beams, rods and bars. Prepreg tapered and parallel tubing. Pultrusion, pulwinding and filament winding machinery.
Telecommunication products	ISDN access products, filters and telephone accessories.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The consolidated entity's business segments operate geographically as follows:

Australasia	Manufacturing facilities in Melbourne, Sydney, Brisbane, Perth and Auckland and sales offices in most states.
Asia	Manufacturing facilities for construction and mining, telecommunication and electronic equipment products. Customers for reinforced plastic products.
Europe	Manufacturing facilities and sales offices for reinforced plastic products. Customers for telecommunication and electronic equipment.
North America	Customers for reinforced plastics and electronic equipment.

LEMARNE CORPORATION LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2003

8. SEGMENT REPORTING (CONTINUED)

<u>Primary reporting</u>	Electronics		Construction and mining		Reinforced plastics		Telecommunication products		Unallocated		Eliminations		Consolidated	
<u>Business segments</u>	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000
External sales revenue	12,815	16,909	-	18,328	14,407	17,283	2,760	4,315	-	-	-	-	29,982	56,835
Inter-segment revenue	415	464	-	-	-	-	-	-	-	-	(415)	(464)	-	-
Other revenue	6	91	-	162	7	89	41	-	1,747	771	(1,087)	(561)	714	552
Total segment revenue	13,236	17,464	-	18,490	14,414	17,372	2,801	4,315	1,747	771	(1,502)	(1,025)	30,696	57,387
Result														
Profit/(loss) from ordinary activities before income tax	623	485	-	2,534	760	981	468	850	75	(478)	-	-	1,926	4,372
Income tax (expense)/benefit													625	(960)
Profit/(loss) from ordinary activities after income tax													1,301	3,412
Depreciation and amortisation	316	449	-	1,132	417	510	35	26	43	41	-	-	811	2,158
Non-cash expenses other than depreciation and amortisation	968	449	-	320	301	427	77	132	7	32	-	-	1,353	1,360
Inventory write-down	256	466	-	55	162	85	37	23	-	-	-	-	455	629
Bad and doubtful debts	474	59	-	16	4	20	20	37	-	-	-	-	498	132
Warranties	54	-	-	44	3	25	6	6	-	-	-	-	63	75

LEMARNE CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2003

9. DISCONTINUING OPERATIONS

2003

On 31 March 2003, Lemvest Limited sold Richardson Pacific Limited (RPL) for \$21.4 million. The construction and mining segment was discontinued on that date.

On 19 June 2003, Pultrex Ltd (now Pacific Composites (Clacton) Ltd), disposed of its capital equipment manufacturing business "Pultrex".

Financial information for the construction and mining segment and Pultrex, was as follows:

	2003 \$000 Total	2003 \$000 Pultrex	2003 \$000 RPL	2002 \$000 Total	2002 \$000 Pultrex	2002 \$000 RPL
Profit/(loss) from ordinary activities before income tax	-	-	-	2,177	(278)	2,455
Income tax expense	-	-	-	(731)	82	(813)
Net Profit	-	-	-	1,446	(196)	1,642
Net increase in cash held	-	-	-	2,102	(376)	2,478

10. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

DIRECTORS' DECLARATION

In the opinion of the directors of Lemarne Corporation Limited ("the Company"):

- (a) the financial statements and notes, set out on pages 2 to 12, are in accordance with the Corporation Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2003 and of its performance, as represented by the results of its operations and cash flows, for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

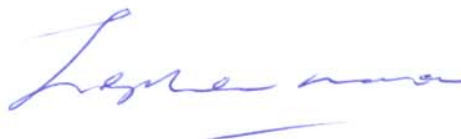
Dated at Melbourne this 23 day of February 2004.

Signed in accordance with a resolution of the directors.



D.J. RAINSBURY

: Directors



S.L. MASON



Independent review report to the members of Lemarne Corporation Limited

Scope

We have reviewed the financial report of Lemarne Corporation Limited ("the Company") for the half-year ended 31 December 2003, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 10 and the directors' declaration set out on pages 2 to 13. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year. The Company's directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows and in order for the Company to lodge the financial report with the Australian Securities and Investments Commission.


Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lemarne Corporation Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.


KPMG


M M Craig
Partner

Melbourne

February 2004



Directors' Report

The directors have pleasure in presenting their report together with the consolidated financial report for the half-year ended 31 December 2003 and the review report thereon.

1. Directors

The directors of Lemarne Corporation Limited in office during or since the end of the half-year are:

Edward Brian Noxon, B.Sc.(Eng.), F.I.E.Aust., F.A.I.M.
Managing Director from 1979 to 1999 and from August 2001 to March 2002.
Chairman from 1987 to March 2002. Non-executive Chairman since March 2002.
Director of National Can Industries Limited since 2000.
Chairman of Lemvest Limited from 1987 to March 2002 and non-executive Chairman of Lemvest Limited since March 2002.
Age 65.

Peter Geoffrey Davenport, M.A., M.I.E.E.
Director since 1981
Director of Lemvest Limited
Previously electrical/electronics engineer and management consultant
Age 66.

John Campbell Larking, M.B. Ch.B., M.R.C.O.G., F.R.A.C.O.G.
Director since 1986
Director of Lemvest Limited
Age 64.

Stephen Leslie Mason, B.Comm., LL.B., F.C.P.A., F.C.I.S.
Director since 1997
Finance Director and Group Company Secretary
Age 52.

Darryl Jeffrey Rainsbury, B.Bus, M.B.A., F.C.P.A., F.C.I.S.
Appointed Managing Director 1 March 2002
Managing Director of Lemvest Limited
Formerly Managing Director of Screenex Australia Pty. Ltd., and Richardson Pacific Limited.
Age 46.

Messrs E.B. Noxon, P.G. Davenport, J.C. Larking, D.J. Rainsbury and S.L. Mason held office for the entire period.

2. Review of operations

Pacific Composites

Globally, Pacific Composite's profit performance for the first half year was down on last year, as previously forecast.

This was largely attributable to the slow start our Australian operations made in the first half due to a weak order book. This situation was compounded by a major downturn in usage of our tension member product by Telstra. Demand from our other domestic customers has in general been steady, however the strong Australian dollar has made traditional export opportunities extremely difficult to win, which has caused a significant shortfall in sales.

As expected our U.K. operations had a more satisfactory first half and Fibreforce's operating profit was 62% greater than the previous corresponding period. This has largely been achieved by completion of the large Boyne Bridge project and the benefits derived from the modernisation of our manufacturing practices and techniques at Runcorn.

Our Australian operation was successful in securing a large export order in December, which will underpin strong earnings in the second half. While the strong demand for products experienced by our UK operations in the six months to December 2003 is expected to weaken over the second half. Overall a result slightly below that achieved in the prior year is anticipated.

Lemtronics

Lemtronics had a good first half and is currently well ahead of expectations. Management has built on the momentum that was started in 2003 and the actions taken to control costs and build service offerings are continuing to result in improved ongoing performance. Lemtronics has recently won several key new contracts that will start volume production towards the end of this financial year.

The outlook for 2004 remains positive and is expected to show strong profit growth compared to last year. Lemtronics' working capital continues to be effectively managed.

C10 Communications ("C10")

C10 entered the 2004 financial year facing some uncertainty as a result of major tenders for existing products, which if unsuccessful had the potential to significantly reduce our trading results.

Pleasingly, C10 has been successful in securing the contract for the supply of ADSL filters to Telstra. Although margins were significantly reduced through a very competitive tender process, C 10 has secured all of Telstra's business in this area and the reduction in margins will be compensated by a significant increase in forecast sales volume.

Unfortunately, we were not successful in securing larger contracts for the supply of third party ADSL modems. This product area has become commoditised with some larger ISPs sourcing product directly from Asian manufacturers.

The strong first half will compensate for reduced opportunities in the ADSL modem market in the second half. This together with continued sales of C10's core ISDN and accessory products should result in an overall net profit for the year in excess of last year.

Acquisition of Lemvest Limited

The Takeover Offer for Lemvest Limited was extremely successful. At the close of the offer period on 19 December 2003 Lemarne owned over 98% of Lemvest. As a result on 23 December 2003 it compulsorily acquired the remainder of the shares it did not own in Lemvest and now owns 100% of the company.

The ASX delisted Lemvest on 5 January 2004.

As a result of the acquisition 4,578,236 shares were issued to former Lemvest shareholders and Lemarne now has 17,808,333 ordinary fully paid shares on issue.

Dividend

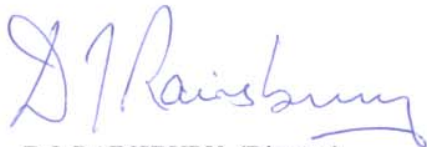
An interim fully franked dividend of 5.0 cents per share (7.5 cents per share last year) has been declared, payable on 26 March 2004 to those shareholders registered at the close of business on 19 March 2004.

3. Rounding off of amounts


The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Melbourne this 23 day of February 2004.

Signed for and on behalf of the board in accordance with a resolution of directors



D.J. RAINSBURY (Director)



S L MASON (Director)