

22 February 2001
SLM/ms

Half Yearly Report to Shareholders

Dear Shareholder,

In the half year ended 31 December 2000, Lemarne's sales increased by 5% over the previous corresponding period to \$85 million and the operating profit before tax decreased by 24% to \$4.7 million.

Income tax expense of \$1.3 million was 44% down on the previous corresponding period, giving an operating profit after tax but before outside equity interests of \$3.3 million; a decrease of 11% over the previous corresponding period.

After outside equity interests operating profit after tax attributable to members was \$2.3 million which was 15% down on the previous corresponding period.

Basic earnings per share was 14 cents compared to 17 cents last year, while the NTA was \$2.12 which was up 15% from \$1.84.

Lemarne's shareholders' funds increased 6% from 30 June 2000 to \$39.2 million while the gearing increased to 59%.

Dividend

Directors are declaring an interim fully franked dividend of 7.5 cents per share (7.5 cents per share last year) payable on 20 April 2001 to those shareholders registered at 5 p.m. on 6 April 2001.

Preliminary Half Year Results

	<u>Six Months to 31</u> <u>December</u>			% Change 1999/2000
	1998	1999	2000	
Sales (\$millions)	83	81	85	+ 5
Profit Before Tax: (\$millions)	3.3	6.1	4.7	- 24
Profit After Tax (\$millions)	1.0	2.8	2.3	-15
Earnings Per Share: (Cents)	6	17	14	- 18
Interim dividend (Cents)	6.5	7.5	7.5	
Gearing (%)	62	48	59	

Review of Operations

PACIFIC COMPOSITES

Australian Operations

The Australian operations began the year in a subdued fashion with sales down by 29% to \$6.4 million and the profit before tax falling to \$0.3 million. This was mainly due to a lack of any large project work for the pultrusion division, a temporary stalling of fibre optic tension member exports to Asia and a major downturn in demand from Telstra for various products.

U.K. Operations

The U.K. operations performed ahead of plan and the operating profit of \$0.3 million represents a strong and encouraging turnaround on the loss of \$0.4 million in the previous half-year.

Both Fibreforce and Pultrex were profitable and ahead of our internal plans and this trend should continue through to the full year.

Overall

Pacific Composites' operating profit before tax was \$0.6 million compared to the previous half-year result of \$1.0 million.

Overall this was a little down on expectations and Directors are looking forward to ongoing progress in the U.K. and some improvement of the Australian operations in the

second half.

Letter to Shareholders re December 2000 Half Year (continued)

U.R. MACHINERY

Sales in the first half were 46% lower at \$4.1 million compared to last year, while the profit was down 56% to \$0.7 million.

This situation was in part, expected, as the prior year was boosted by the carry over of product sales for the U.S. market. However, unexpectedly, the Australian market for harvesters declined this year, due we believe, to factors related to the introduction of the GST, and reduced grape prices and crops.

The second half sales are dependant on the U.S. market where the orders currently on hand and expected, are encouraging, and as a result a much improved second half is expected.

LEMVEST

Lemtronics

The Lemtronics business performed strongly in relation to the prior year with the sales increasing 27% and profit before tax 83%. This improved performance was all the more creditable in the light of unexpected currency fluctuations and the demand patterns of a number of our major customers. The worldwide shortage of certain electronic components led to both productivity and customer service difficulties. This situation also resulted in excessive material commitments, in an attempt to cover increasing leadtimes and ineffective sliding of commitments as customers altered their schedules.

The second half is expected to be more subdued with some of our European customers signalling a weakening of demand, however we believe the component shortages will abate and productivity will improve.

Com 10

The Com 10 Communications business performed very strongly in the first half with sales up 28% and profit before tax up 57%. We expect a continuing, solid performance in the second half.

The performance of Com 10 Power was disappointing. The sales revenue for the first half was in total, very close to the level budgeted, however, the performance of the Malaysian and South African operations was poor. Domestic sales held up quite firmly in the first half while sales to China were down but our push into the South American export market accelerated.

The supply of electronic components also proved to be a problem for Com 10, resulting in plant inefficiencies and unfavourable purchase price variances. It is expected that the situation will improve in the second half.

Richardson Pacific

The Richardson Pacific Group companies performed solidly with sales slightly up on last year and profit before tax in line with last year. Hong Kong was slightly up on last year while the other divisions were slightly down.

The market conditions in Australia, New Zealand and Indonesia ensured that the opportunities for growth in revenues and margin were limited in the perforating business.

Screenex

Screenex had a pleasing first half with both sales and profit being up on the prior year. The business has been established successfully in new premises, and the management team is confident of continuing strong performance in the second half.

Overall - Lemvest

In general the Lemvest Group Companies share the expectation of relatively subdued market conditions in the second half with ongoing pressures on revenues and margins. Therefore the focus will continue to be on growing export opportunities and tight cost control.

Providing both Com 10 Power and Lemtronics can maintain supply of critical electronic componentry at competitive prices, we expect the Group to record a solid performance over the full year.

OVERALL

While Directors expect that both Pacific Composites and U.R. Machinery will produce improved results in the second half, the key to the overall performance will be the ability of both Com 10 Power and Lemtronics to overcome the supply and market pressures they are currently experiencing.

Steve Milner
Managing Director

Brian Noxon
Chairman