



LEMARNE CORPORATION LIMITED
A.C.N. 004 834 584

24 February 2004
SLM/ms

Half Yearly Report to Shareholders

Dear Shareholder,

The half year results were generally in line with our announcement to the market and shareholders at our AGM on 31 October 2003.

Operating profit before tax was \$1.9 million, while net profit after tax attributable to shareholders was \$905K. This was largely due to much lower profits in Lemvest as a result of the Richardson sale, the lack of project work at Pacific Composites Australia and the relatively low returns generated on the substantial sum of cash currently on deposit with the bank.

This has resulted in an earnings per share of 6 cents for the half year, and a NTA of \$2.29 (2002: \$1.94) at 31 December 2003. In addition, the gearing continued to improve markedly from a net \$5.6 million cash on deposit at 31 December 2002 to a net \$24.7 million on deposit at 31 December 2003. This was due to proceeds from the Richardson sale and a continuing strong cash flow, with \$4 million being generated from operating activities largely related to profitable trading and the ongoing tight control of working capital.

The operating profit before tax of the continuing operations decreased from \$2.2 million last year to \$1.9 million this year. This was a 12% decrease on the previous corresponding period.

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.

Half Year Results

Review of Operations

The Group's three main subsidiaries, Pacific Composites Pty. Ltd. ("PC"), Lemtronics Sdn Bhd ("Lemtronics") and C10 Communications Pty. Ltd. ("C10"), all recorded profits but the results were mixed compared to the previous corresponding period.

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 impacted export opportunities 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. 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.

We were not successful in securing larger contracts for the supply of third party ADSL modems. Unfortunately 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.

C10 plans to introduce a new business line in 2004 which is intended to provide a more balanced product portfolio, reducing the impact from overseas suppliers in C10's current market. It is expected that the new business will be online in the last quarter of 2004 financial year and positively impact the trading results in 2005.

Acquisition of Lemvest Limited

The Takeover Offer for Lemvest Limited was extremely well received. 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.

Proposed Share Buy-back

With a record number of shares on issue and a net \$24.7 million on deposit in the Group at 31 December 2003, the Board has resolved to undertake an off-market share buy-back in which all shareholders are entitled to participate.

The Company proposes to buy-back up to 35% of its issued capital at the current market price (which was \$2.34 yesterday, adjusted for movements in the All Industrials Index until the end of the offer period in accordance with ATO guidelines) via an "equal access scheme", which applies to every shareholder on the same terms.

Participation in the buy-back is voluntary. However, if all shareholders participate in the share buy-back, Lemarne will buy-back approximately 6,233,000 of its ordinary shares and return to shareholders (based on a buy-back price of \$2.34 per Lemarne share) approximately \$14.6 million in cash.

Directors believe that an off-market share buy-back represents an efficient means of returning excess capital to shareholders. All directors intend to participate in the share buy-back for all shares held by them.

The proposed share buy-back, which is subject to shareholder approval, will utilise franking credits which Lemarne has in abundance and part of the cash generated on the sale of Richardson Pacific Limited by Lemarne's wholly-owned subsidiary, Lemvest Limited. The Lemarne Group's current cash reserves exceed \$25 million.

The buy-back price will have 2 components: a capital component and a fully-franked dividend component of the buy-back price. Lemarne will seek a ruling from the Australian Tax Office to confirm these components. Implementation of the buy-back will be subject to receiving a ruling acceptable to the directors.

All shareholders are advised to obtain taxation and professional advice on the implications of participating in the buy-back in their particular circumstances.

The proposed general meeting of shareholders of Lemarne to approve the buy-back is currently scheduled for 28 April, 2004. A detailed Notice of General Meeting will be lodged with ASX and despatched to shareholders towards the end of March, 2004.

An indicative timetable for the share buy-back is set out below. These dates are indicative only and Lemarne reserves the right to change these dates by announcement to ASX.

Event	Date
General meeting to approve the buy-back	28 April, 2004
Lemarne shares trade on ASX ex-entitlement to participate in the buy-back	3 May, 2004
Record date for determining entitlements to participate in the buy-back	7 May, 2004
Completion of despatch of buy-back documentation to shareholders	12 May, 2004
Last day for receipt of acceptances	5:00pm 4 June, 2004
Despatch of cheques by	18 June, 2004

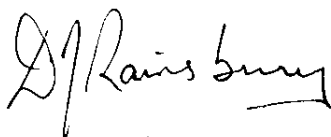
Subject to obtaining regulatory approvals, the proposed share buy-back may be extended so as to buy-back 100% of a shareholder's holding of Lemarne shares if participation in the proposed buy-back would result in a shareholder holding less than a marketable parcel.

Overall

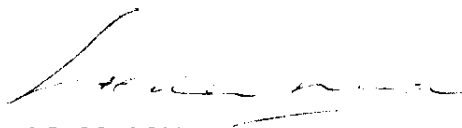
The result for the first half was in line with Directors' expectations as previously advised to the market and shareholders.

Looking ahead to the second half, Directors anticipate that Lemarne's profit after tax will be well up on that achieved in the first half. The amount of this increase will be dependent on the continuation of similar trading conditions to those experienced in recent months and the absence of any unforeseen circumstances.

The structure of the Lemarne Group has undergone considerable change over the past two years. These changes have included the divestment of under performing subsidiaries, utilisation of significant accumulated income tax losses, streamlining the two tiered corporate structure with the acquisition of the balance of Lemvest. The next phase will involve returning excess funds to shareholders by way of a share buy-back. Management is also actively seeking new investment opportunities to further strengthen the group's future earnings stream.



D.J. RAINSBURY
Managing Director



S.L. MASON
Finance Director