

LEMARNE

CORPORATION LIMITED

1999 ANNUAL REPORT

(excluding notes to accounts)

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Lemarne Corporation Limited (ACN 004 834 584) will be held at AIM, 181 Fitzroy Street, St Kilda, on 28 October 1999 at 12.00 noon. A formal notice of meeting and proxy form are enclosed herewith.

DATE OF DIVIDEND PAYMENT

The final fully franked dividend for the year ended 30 June 1999 will be paid on 29 October 1999.

BOOKS CLOSING

Transfers received by the Company's Share Registrar before 5.00 pm on Friday 22 October 1999 will be registered to determine those shareholders entitled to participate in the final dividend.

- Sales increased 13 per cent to a record \$156 million.
- Operating profit attributable to shareholders increased by 20 per cent to \$4.8 million.
- There was an abnormal profit after tax of \$1.0 million compared to a loss last year of \$1.5 million.
- Earnings per share increased from 24.3 cents to 29.1 cents.
- The dividend increased for the fifteenth consecutive year to 14 cents per share fully franked.
- Our 58.74 per cent owned subsidiary, Lemvest Limited, achieved record sales and profits.
- U R Machinery doubled output in the second half following completion of its expanded production facility and sales and profits were up on last year.
- Pacific Composites' UK subsidiary, Fibreforce Composites Limited, results improved in the second half after a very disappointing first half.
- Spectra International, which had paid \$1.7 million in dividends during the year, and its subsidiary, Spectra Lighting, was sold on 30 June 1999 for \$5.55 million which resulted in an abnormal profit after tax of \$2.6 million and reduced group borrowings by \$10 million.
- Lemarne's balance sheet remained strong with shareholders' funds increasing to \$43.0 million and gearing falling to 45 per cent.

While our Company is a corporate body, our management philosophy emphasises partnership: a partnership between customers, employees and shareholders.

Our directors are major shareholders, and many senior staff also have significant shareholdings. This investment in Lemarne generally represents their main equity investment.

Our long-term financial goal is to maximise growth in intrinsic business value per ordinary share. We do not measure the economic significance or performance of Lemarne by sales or by size but rather by per-share-performance.

Our preference is to reach this goal by owning the majority share in businesses that generate cash and earn above-average returns on capital. We focus on the development of a limited number of niche engineering businesses which are, or have the potential to be, market leaders and which give the Group stability through limited diversity.

We are sensitive to our fiduciary obligations to the Company's lenders, suppliers and its many long-term shareholders, some of whom have committed significant portions of their investment portfolio to our care. Consequently, we maintain a conservative approach to funding, rejecting opportunities rather than over-leveraging our balance sheet.

This policy may penalise results, but it is the only behaviour which leaves us comfortable, considering our obligations.

We endeavour to operate our businesses in a totally ethical way, complying with the best operating practices, meeting our social and environmental obligations, and being a good corporate citizen. Each year we put aside 1 per cent of our profit after tax for contributions to worthy causes.

We are candid in our reporting, telling shareholders business facts that we believe they would want to know. We are nevertheless careful in reporting certain activities such as technical breakthroughs or potential acquisitions, where public knowledge of such might disadvantage the entity to the detriment of our shareholders.

We believe our success is dependent upon attracting and retaining first-class people. To this end, we aim to provide challenging career opportunities in a stimulating environment and are committed to a widespread scheme of profit sharing. We are also committed to assisting those personnel who are primarily responsible for our successful growth to obtain equity in either their own subsidiary or in the holding company.

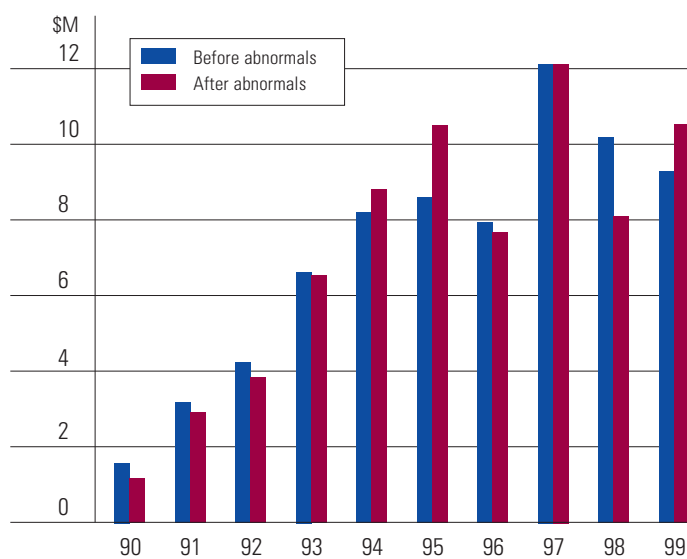
KEY FINANCIALS

		1999	1998	CHANGE
Operating profit before abnormal items and tax	\$000s	9,271	10,198	-9%
Abnormal items before tax	\$000s	1,253	(2,098)	
Operating profit after income tax and minority interests	\$000s	4,799	4,006	+20%
Earnings per ordinary share	cents	29.1	24.3	+20%
Net tangible asset backing per ordinary share	cents	173	150	+15%
Dividend per ordinary share	cents	14.0	13.0	+8%
Ordinary shareholders' equity	\$000s	32,942	30,477	+8%
Operating profit after income tax/shareholders' funds	%	14.6	13.1	
Net borrowings/shareholders' equity	%	45	54	
Share price (at 30 June)	cents	225	260	-13%

These figures are based on the consolidated accounts.

TEN YEAR OPERATING PROFIT

BEFORE AND AFTER ABNORMALS





Our results for the year ended 30 June 1999 reflect very pleasing performances from our Australian operations partially offset by the effects of difficult trading conditions in Asia and a disappointing performance from our UK operations.

Sales were up 13 per cent to a record \$156 million while the operating profit after tax was up 24 per cent to \$6.4 million.

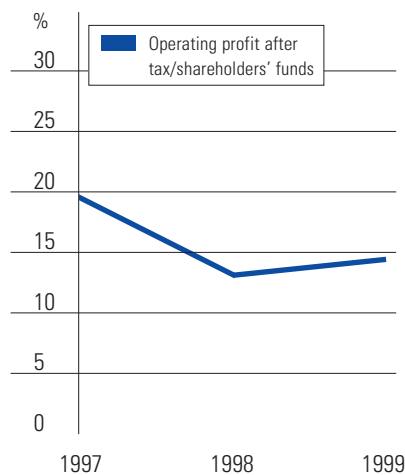
There was an abnormal profit after tax of \$1.0 million which was the net gain from the sale of Spectra Lighting less losses associated with closing down poorly performing operations, the major one being Pacific Composites' UK based 'Techbuild Composites'.

Earnings per share increased from 24 cents to 29 cents and the net tangible asset backing per share increased to 173 cents.

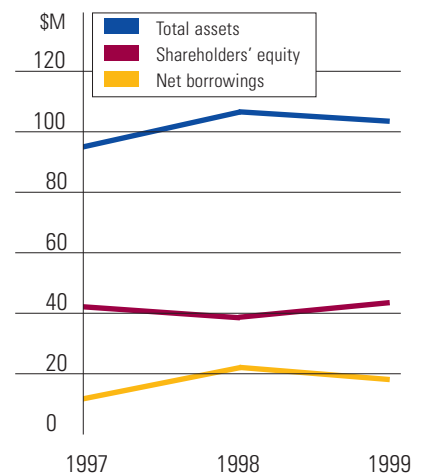
The group's return on equity of 15 per cent is well above our cost of capital and demonstrates that the group is continuing to build shareholder value even if this is not reflected in recent share price movements.

The balance sheet remains strong with shareholders' funds increasing 8 per cent to \$43 million while the gearing fell from 54 per cent to 45 per cent.

RETURN ON EQUITY



ASSETS, BORROWINGS, EQUITY



DIVIDENDS

A fully franked interim dividend of 6.5 cents per share was paid on 26 March 1999 and Directors have declared a final fully franked dividend of 7.5 cents per share payable on 29 October 1999 to those shareholders on the register at 5 pm on 22 October 1999. This is our fifteenth consecutive annual dividend increase. The payout ratio is 48 per cent.

OPERATIONS

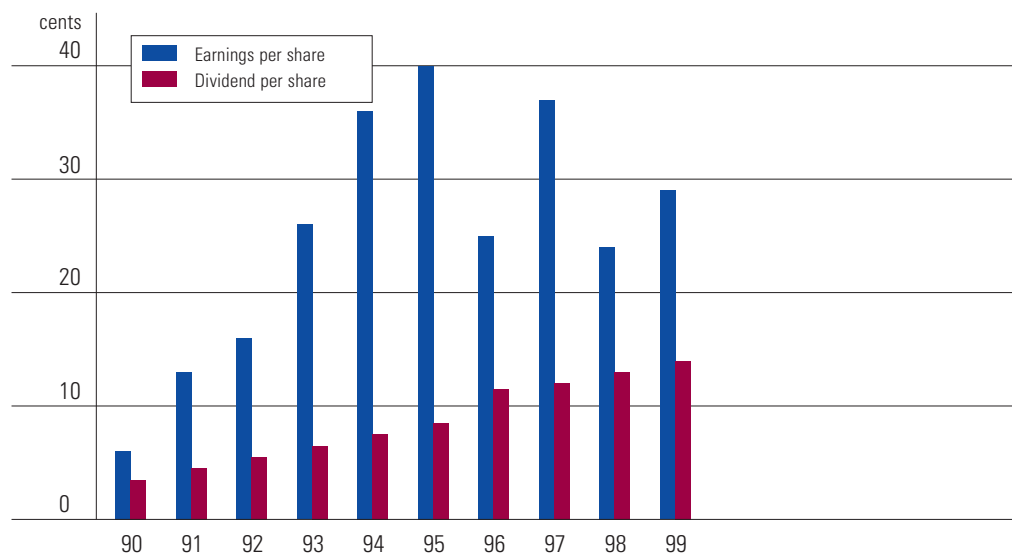
In general our Australian based operations performed very satisfactorily, while those in Asia were affected by reduced sales in the depressed economies of Asia.

For the second successive year what would have been an excellent group result was marred by very disappointing results emanating from the UK. This year, due to Pacific Composites' UK subsidiary Fibreforce Composites Limited which incurred operational losses of \$1.6 million and abnormal losses of \$1.3 million.

While most of these occurred in the first half the recovery in the second half was much slower than expected and decisive action has now been taken to strengthen the management of Fibreforce Composites and substantially lift its performance. Directors continue to believe that Fibreforce Composites has excellent potential at least comparable to that of its sister company in Australia.

TEN YEAR EARNINGS & DIVIDEND

PER ORDINARY SHARE



Pacific Composites' Australian operations finished on a strong note and there were encouraging signs for the current year. In particular the winning of a major contract to supply a 3.4 kilometre long wall for an aluminium smelter in Mozambique. This will be manufactured and supplied in the first half of the current year.

U R Machinery has had a very successful year although this isn't fully reflected in the results. Output from the newly expanded factory doubled in the second half but most of URM's harvester orders for the 1999 Californian vintage could not be invoiced at year's end due to the untimely death of

the principal of URM's Californian distributor. These sales will now be made in the first quarter of 1999/2000.

Spectra Lighting's sales were marginally up on last year and the profit slightly down.

Our 58.7 per cent owned subsidiary, Lemvest Limited, had a record year with sales up 28 per cent and profit after tax up 44 per cent. Its three operating subsidiaries all achieved improved results although Lemtronics' bottom line didn't lift as much as expected given the substantial increase in sales. Lemvest's final dividend was increased from 12 cents per share to 15 cents per share.

INVESTOR RETURNS

Lemarne's share price at 30 June 1999 was \$2.25 compared to \$2.60 a year earlier. This has reduced the short term compound return to shareholders to below the average for 'all ordinaries'. However over 10 years the annual compound return for Lemarne was 24.9 per cent while the 'all ordinaries' return was 11.4 per cent and the consumer price index was 2.6 per cent.

STRATEGY

Our long term aim is to grow the value of each ordinary share by owning businesses that generate cash and earn above average returns on capital.

We continue to develop a limited number of niche engineering businesses which operate relatively autonomously and which are, or have the potential to be, market leaders in Australia and in targeted overseas markets.

Historically this diversity of products and markets has given Lemarne strength, resilience and superior shareholder returns. For example in the ten years to June 1998, shareholders enjoyed a compound annual return of 27 per cent per annum. However in the past eighteen months unexpected set backs in our overseas operations has disrupted our strong growth and in addition investors have generally shunned diversified industrial groups and as a result our share price has fallen by some 60 per cent.

In light of this your Directors have closely reviewed our philosophy and objectives and also the prospects of the businesses in the group. As a result of this review, Directors decided to sell Spectra International Pty Ltd and its subsidiary, Spectra Lighting Pty Ltd. These were sold on 30 June 1999 for \$5.55 million (subject to certain adjustments which Lemarne does not believe will eventuate) for the Spectra International shares plus the repayment of Lemarne's loan of \$1.5 million to Spectra, that is a total of \$7.05 million. The sale effectively reduced Lemarne's net debt by approximately \$10 million and resulted in an abnormal profit after tax of \$2.61 million.

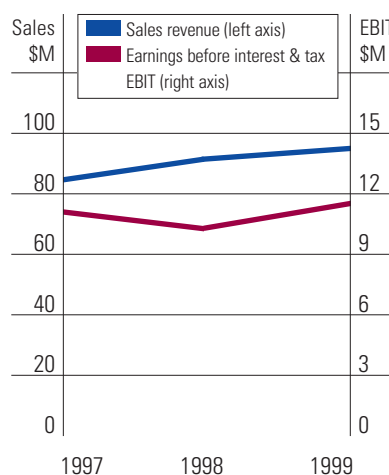
Your Directors believe the remainder of the businesses in the group will make returns which are comfortably in excess of the cost of equity. Most also have superior growth prospects.

The Board therefore believes its overall vision is sound and that by pursuing it vigorously, superior ongoing returns will again be achieved.

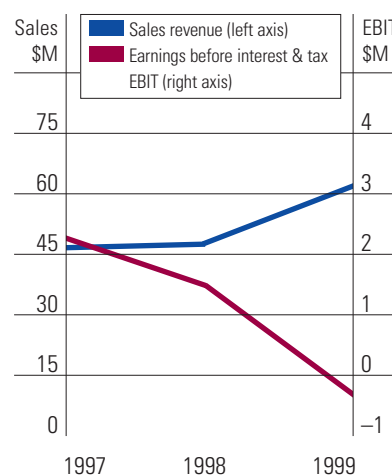
MILLENNIUM ISSUE

The Board of Directors initiated a Policy requiring all critical and significant activities, processes and supporting systems throughout the Lemarne Group of Companies be Year 2000 compliant by June 1999. Year 2000 compliance is as defined by the British Standards Institution.

AUSTRALIAN OPERATIONS



OFFSHORE OPERATIONS



The Directors expect the Year 2000 project will be completed on a timely basis. However there can be no assurance that the systems of other entities, on which the economic entity relies, will be converted in time or that any such failure to convert by another entity will not have an adverse effect on the economic entity's systems. In order to mitigate this risk, the economic entity is in the process of obtaining confirmations from its major suppliers that they have developed, or are developing, plans to address the Year 2000 problem. The directors will continue to monitor the progress of these plans.

RISK MANAGEMENT

A comprehensive risk management programme has been established. The programme requires each business to systematically identify sources of risk, to qualify the impact of those risks and adopt strategies to manage the Company's exposure in a cost effective manner. External consultants are used as appropriate.

DONATIONS

Lemarne maintained its commitment to distribute 1 per cent of after tax profits to worthy causes and this resulted in a range of community services, medical research, educational and arts organisations receiving support. No donations were made to political parties.

So far this decade Lemarne has made donations of over \$350,000.



OUTLOOK

The chief executives of our operating subsidiaries have commented on their operations and the outlook for each on the following pages.

Much improved results from Fibreforce Composites and Lemvest's subsidiary, Lemtronics together with solid growth in our Australian based companies should, barring unforeseen circumstances, lead to further growth in the year ahead.

PEOPLE

During the year our employee numbers declined by 30 per cent to 1,250 principally because of reductions at Lemtronics emanating from product mix changes and improved productivity.

We also farewelled 80 Spectra employees with the sale of that Company and we wish them success in their new environment.

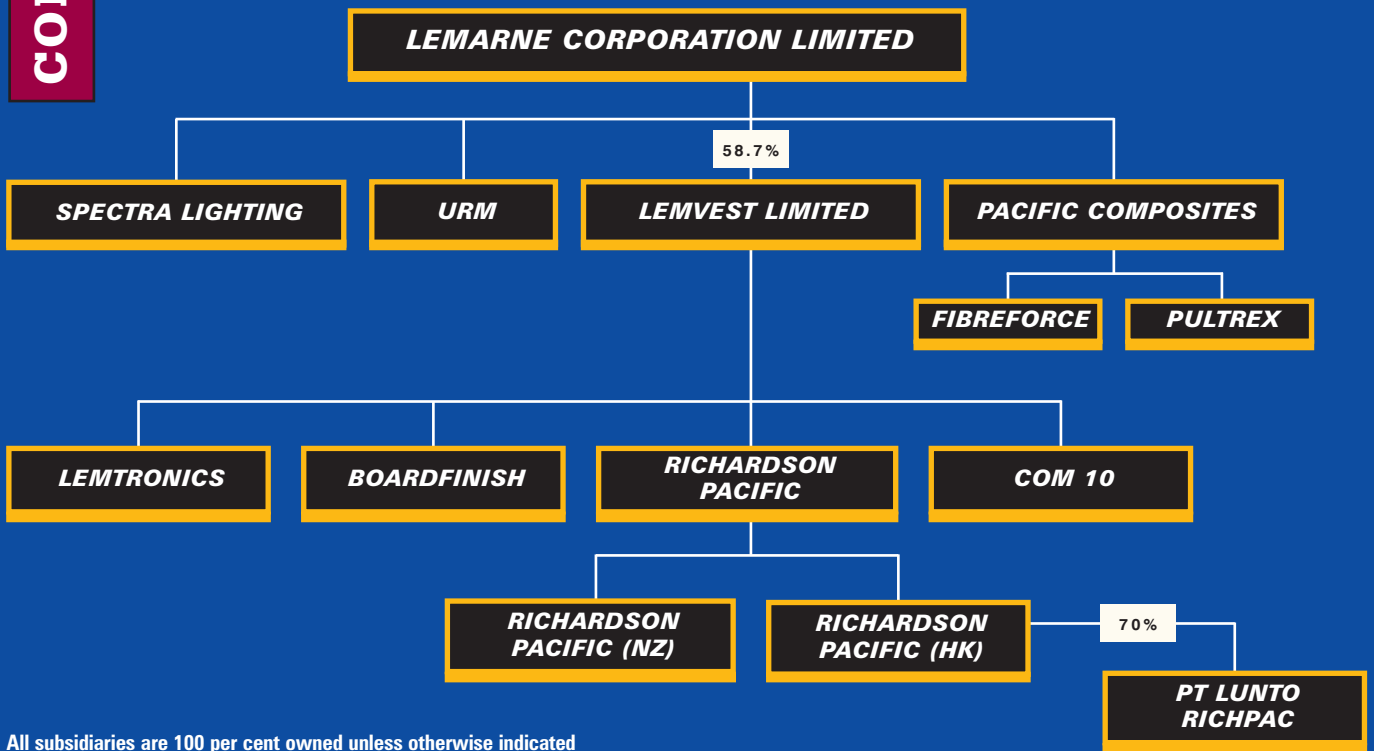
After the end of the financial year several important management changes were made and these are outlined in the individual company reports.

On behalf of shareholders and directors I again thank all employees for their ongoing commitment and contribution during a year marked by particular challenges in our overseas operations.

Brian Noxon
Chairman

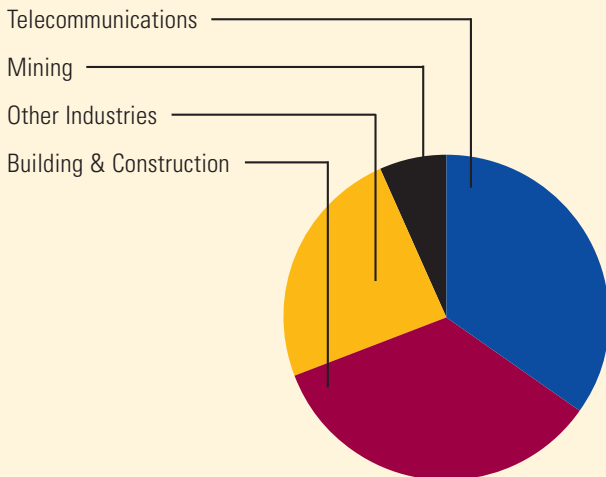
COMPANY

STRUCTURE

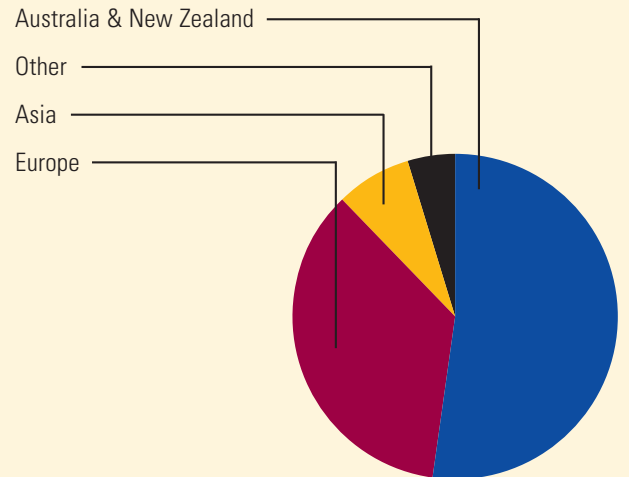


All subsidiaries are 100 per cent owned unless otherwise indicated

SALES BY END MARKETS, INDUSTRY



SALES BY END MARKETS, REGION



FIVE YEAR

GROUP FINANCIAL RECORD

	1999 (\$'000s)	1998 (\$'000s)	1997 (\$'000s)	1996 (\$'000s)	1995 (\$'000s)
OPERATING RESULTS					
Group sales	156,369	138,795	131,977	95,348	75,455
Profit before abnormals, tax and interest	11,240	11,944	13,892	9,066	9,455
Abnormal items before tax	1,253	(2,098)	–	(255)	1,886
Profit before tax	10,524	8,100	12,141	8,152	10,969
Income tax expense	4,078	2,892	4,105	2,211	3,006
Operating profit after tax	6,446	5,208	8,036	5,941	7,963
Minority interests	1,647	1,202	1,890	1,741	1,669
Operating profit attributable to shareholders	4,799	4,006	6,146	4,200	6,294
Extraordinary items after tax	–	–	–	–	–
Dividends – ordinary	2,311	2,109	2,018	1,849	1,163
Dividends – preference	–	69	120	150	255
Payout ratio	% 48	53	33	44	19
FINANCIAL POSITION					
Issued and paid-up capital	4,542⁶	3,302	3,802	3,801	4,237
Total shareholders' equity	42,955	39,889	42,472	35,572 ³	34,015 ³
Net borrowings	19,299	21,715	12,686	22,407 ³	10,250 ³
Current assets	65,069⁷	66,128	61,126	55,562	42,349
Total assets	103,318⁷	107,089	96,094	88,288	71,096
Current liabilities	44,101⁷	51,481	33,189	35,369	24,208
Deferred liabilities	16,262⁷	15,719	20,433	17,347 ³	12,873 ³
PER ORDINARY 20 CENT SHARE					
Earnings ²	cents 29	24	37	25	40
Net tangible asset backing	cents 173	150	169	135	139
Dividend	cents 14.0	13.0	12.0	9.5 ¹	8.5
ANALYTIC INFORMATION					
EBIT/total assets	% 12	9	14	9	16
EBIT/trading capital employed	% 20	16	20	14	23
Operating profit after tax/shareholders' funds	% 15	13	20	16	26
Net borrowings/total shareholders' equity	% 45	54	30	63 ³	30
Total debt/total assets	% 29	30	27	32 ³	21
Current assets/current liabilities	times 1.5	1.3 ⁵	1.8	1.6	1.7
Net interest cover	times 5.3	4.6	9.4	11.2 ⁴	28.2 ⁴
Shares on issue	millions 16.5	16.5	16.5	16.5	13.7

¹Excludes special 25th Anniversary dividend of 2.0 cents per share

²Adjusted for bonus issue of 1 for 10 in April 1996

³Redeemable preference share capital of \$6.6 million reclassified as borrowings for comparative purposes

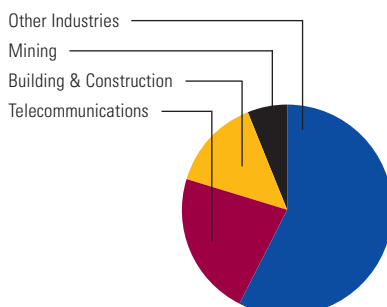
⁴Dividends on preference shares in subsidiary restated as interest expense for comparative purposes

⁵Partly due to redeemable preference shares being classified as a current liability (refer Note 15)

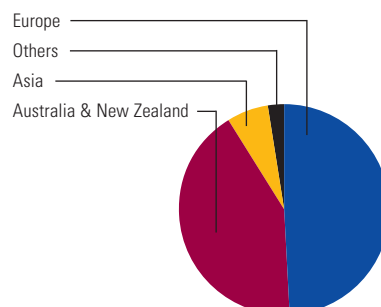
⁶After transferring \$1,240,000 from the share premium reserve on 1 July 1998

⁷After sale of Spectra International Pty Ltd on 30 June 1999

SALES BY INDUSTRY



SALES BY END MARKETS



PERFORMANCE SUMMARY

		1999	1998	1997	1996	1995
Total sales	\$000s	26,238	29,951	30,453	26,636	24,000
Overseas sales & exports	%	58	61	54	50	51
Profit before abnormals interest & tax	\$000s	111	2,043	5,165	4,180	3,687
Total assets	\$000s	18,151	21,039	18,460	17,436	15,768
Employees		157	179	167	161	172



PACIFIC COMPOSITES

Graham Capper B Sc (Hons), B Ec
Managing Director

Hank van Herk B Eng (Mech), Director

Trevor Dawson B Sc, Director

Eileen Foran ACA
Financial Controller and Company Secretary

Harry Roevens, Technical Manager

Ken Smith B Bus
General Manager Pre Preg Division

Vince Sakavicius
Manager – General Moulding

FIBREFORCE COMPOSITES

David Clough, Managing Director

Enid McVittie ACMA
Financial Controller & Company Secretary

Nick Seabourne
Divisional Manager – Clacton

PULTREX

Colin Leek H N Dip Mech Eng, Managing Director

Pacific Composites' group sales decreased in 1998/1999 by 12 per cent to \$26.2 million whilst the operating profit before interest, abnormals and tax decreased from \$2.0 million to \$0.11 million.

This very disappointing result was largely attributable to the heavy operational and abnormal losses which occurred at our UK subsidiary Fibreforce Composites, mainly in the first half of the year.

Overseas sales and exports were 58 per cent of the total group sales which was similar to last year.

AUSTRALIAN OPERATIONS

The Australian operations' sales decreased in 1998/1999 by 8 per cent to \$13 million largely due to lower prices for tension member products and the shortage of new orders in general moulding division following completion of a major order.

The pultrusion division had a good year with operating profit before interest and tax

increasing by a pleasing 6 per cent in 1998/1999 and this division remains the largest profit contributor within the Pacific Composites group.

The highlight of the year was winning a contract to supply 3.4 kilometres of a non-conducting ventilated wall for an aluminium smelter in Mozambique. This contract was negotiated during 1998/1999 for supply in 1999/2000.

Other highlights during the year were the supply of pultruded profiles for use in ten water treatment facilities in South Australia, the launch of new conduit rod products to assist in telecommunications cable laying, and the development of new products for the underground coal mining industry. Several other pultrusion products achieved good growth including conduit rods, other rods and bar, ladder rail and cable support systems.

Tension member sales improved in the second half

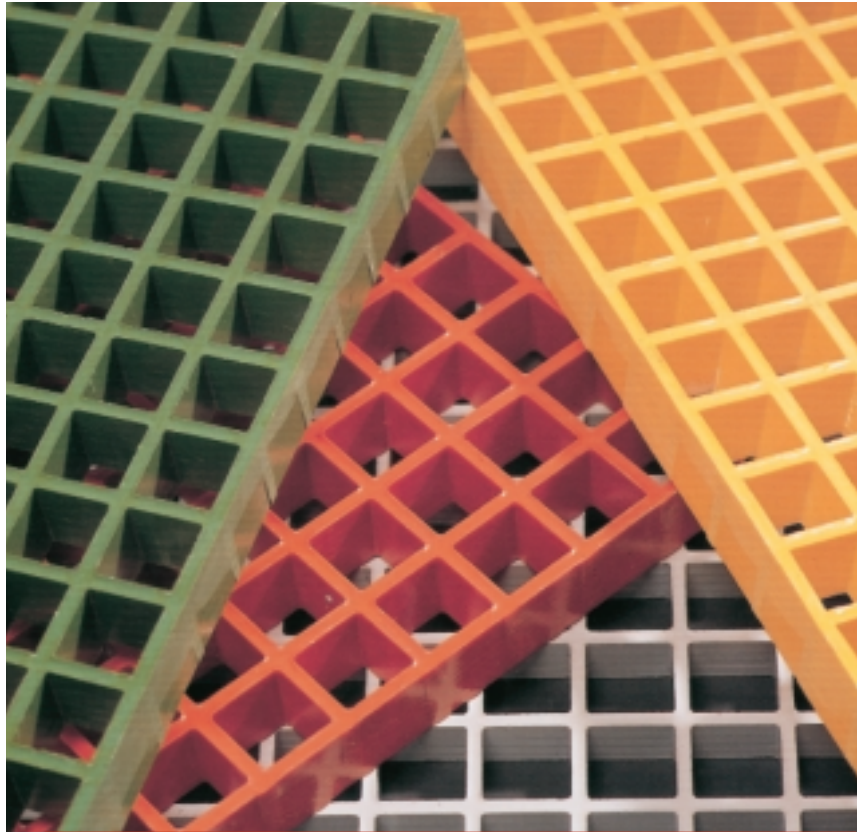
MAIN PRODUCTS

Pultruded products including – ladder side rails, custom profiles, tension members, mine bolts, grating, cable support systems, handrail, flat sheet, angles, channels, beams, rods and bars. Resin transfer and compression moulded components. Pre-preg tapered and parallel tubing. Pultrusion, pulwinding and filament winding machinery.

although margins remained under pressure. Exports to Asia were well down again this year but one or two markets are now showing signs of growth.

Our Research and Development team has succeeded in developing a new process to manufacture small diameter tension members and prospects for export sales look good. We will continue to give high priority to Research and Development in the on going search for new products and processes for the future.

Our pre preg moulding division's sales were up 15 per cent and its profits were steady. General moulding's sales and profits were both down on last year, however it has now produced some technically advanced prototypes and is negotiating for substantially larger contracts. Unfortunately the timing of new start ups is often difficult to predict which of course makes profit forecasting hazardous.



A selection from the range of Pacific Composites' products including standard and custom pultruded profiles and moulded grating.

UNITED KINGDOM OPERATIONS

Fibreforce Composites Ltd.

Fibreforce's overall result for 1998/1999 was extremely disappointing. Sales decreased by 17 per cent to \$11.3 million and the operating loss before interest, abnormals and tax was \$1.3 million versus \$0.2 million the previous year.

In addition an abnormal loss of \$1.3 million was incurred in closing down Techbuild's operations and exiting the Techbuild site at Accrington and making good the leased premises.

The business was affected by the strong pound which reduced exports to Europe and put pressure on domestic margins. There were also numerous errors in judgement made during the year which contributed to the trading losses.

In addition Fibreforce experienced considerable technical and production problems especially with a number of the new more complex jobs commenced at Runcorn during the year.

A new management team is being put in place and strong initiatives have been taken to return Fibreforce to profitability including:

- greatly increased technical support from Australia and the temporary relocation of Pacific Composites' Director, Brian O'Connor to Fibreforce to supervise some of the technical work;
- the dropping of several new products which were causing major losses;

- the appointment of Keith Jordan as Chairman of Fibreforce Composites in June 1999. Keith has been a successful Managing Director and is a non-executive director and chairman of several smaller UK manufacturing companies. Keith will be able to provide closer guidance to Fibreforce than I have been able to from our Melbourne base;
- the appointment of Grant Pearce as the new Managing Director at Fibreforce in August 1999. Grant has had an excellent track record in General Management at Richardson Pacific Ltd over the past four years, and we are confident he will provide the leadership and expertise required to effect a rapid improvement in performance;
- the appointment of Lee Norton, as the new Marketing and Sales Manager, in April 1999. The search for an experienced Production Manager has also commenced.

The second half performance was an improvement on the first half and Directors are predicting a vastly improved result in 1999/2000. In spite of Fibreforce's poor performance, it is still the clear market leader in the UK and Directors remain convinced that it has excellent potential for expansion in both the UK and Europe.

Pultrex

Sales of \$2.0 million in 1998/1999 were 12 per cent down on last year and the profit was also slightly down.

During the year Pultrex manufactured and supplied pultrusion machines, filament winding machines and ancillary equipment to Italy, Turkey, USA and South Africa.

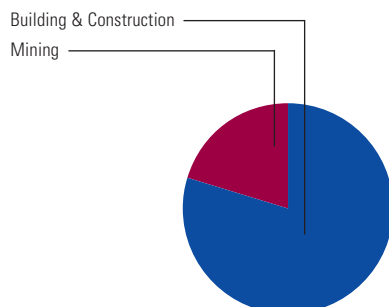
Pultrex has established an international reputation for designing and manufacturing high quality machines but this business will continue to be 'lumpy' until a steady base load is established. Some progress is being made in this regard as Pultrex moves to manufacturing more pultrusion tooling in-house.

FUTURE PROSPECTS

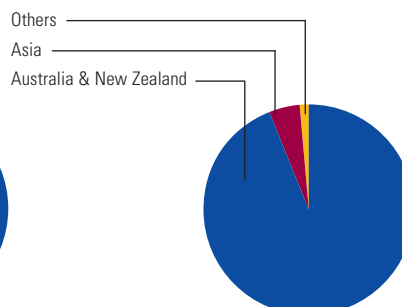
Pacific Composites' short term results will continue, as in the past, to be influenced by its success or failure in winning major contracts. Pacific Composites is the clear market leader in its field in Australia and the UK and it is the leading supplier of tension member for fibre optic cables in the Asia Pacific region. It supplies a diverse range of other products to a wide range of industries. Management believes this leadership together with the technical expertise of its team will enable it to rapidly respond to recent set backs and re-establish its sound growth in future.

Graham Capper

SALES BY INDUSTRY



SALES BY END MARKETS



PERFORMANCE SUMMARY

		1999	1998	1997	1996	1995
Total sales	\$000s	15,217	14,357	13,815	11,402	12,811
Overseas sales & exports	%	5	4	7	7	14
Profit before abnormals interest & tax	\$000s	913	1,087	1,219	(230)	797
Total assets	\$000s	8,632	8,232	7,842	7,568	7,900
Employees		80	80	79	71	73



SPECTRA LIGHTING

Russell Gray Dip Elec Eng
Managing Director

Hans Pihl
Operations Manager

Robert Day
National Manager IML

Margaret Olson CPA,
Accounting Manager

Neil Wills FIES (Aust)
Technical Manager

Geoffrey Sanders
Queensland Sales Mgr.

MAIN PRODUCTS

Tennis Court Lighting

Market leader Australia, exports to 11 countries

Mining lighting

Market leader Australia, small exports.

Outdoor Architectural Lighting

Small market share in Australia, small exports

Interior Architectural Lighting – Erco products

Limited market share in Australia, small exports

Lamps – Toshiba products

Small market share in Australia

In 1998/1999 Spectra's sales increased by 6 per cent to \$15.2 million and the operating profit before interest, abnormals and tax was \$0.9 million compared to \$1.1 million last year.

Sales of internal and external architectural lighting increased by 29 per cent and were particularly strong in New South Wales where the new lighting studio established in 1998 and the release of a new range of high performance luminaires also contributed to the sales increase.

The industrial / mining lighting business increased 3 per cent despite the marked decrease in the number of mining projects starting up in Australia. The good result was due to increased sales of new industrial products and success with overseas mining projects, which were ordered in Australia. The new product range released during the period has had a very good market acceptance.

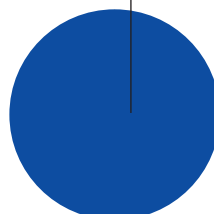
Sales of linear fluorescent luminaires declined by 13 per cent in line with the strategy of exiting this low margin business.

Export sales fell 40 per cent, due mainly to the poor economic situation in South East Asia and in parts of Eastern Europe. The bulk of the export business has traditionally come from these areas.

A new enterprise resource planning system was selected and installed during the period. This new ERP system will provide Spectra with improved internal efficiency, communication and flexibility. This, combined with the more efficient new office which was completed in August, and the new factory layout completed in the previous year, puts Spectra in a sound position for future growth.

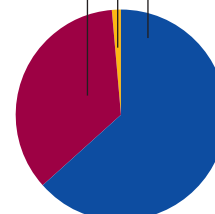
Russell Gray

SALES BY INDUSTRY
Agriculture Equipment



SALES BY END MARKETS

Australia & New Zealand
Europe
Others



PERFORMANCE SUMMARY

		1999	1998*	1997	1996	1995
Total sales	\$000s	7,317	6,178	n/a	n/a	n/a
Overseas sales & exports	%	37	39	n/a	n/a	n/a
Profit before abnormals interest & tax	\$000s	1,968	1,610	n/a	n/a	n/a
Total assets	\$000s	11,290	7,832	n/a	n/a	n/a
Employees		36	33	n/a	n/a	n/a

* Business acquired 12 December 1997.



U R MACHINERY
Desmond Burke
Managing Director

Roger Williams
Finance Manager

Sergio Gobbo
Factory Manager

Owen Zibell
Purchasing Manager

In the year ending 30 June 1999 URM's sales were up 18 per cent to \$7.3 million and the operating profit before interest and tax increased to \$1.9 million.

Demand for URM's mechanical grape harvesters in both Australia and the West Coast of the USA was strong but once again sales were limited by URM's manufacturing capacity. The same constraint applied to other products and this limited sales of wind machines and general vineyard equipment to the Australian market.

Sales in Australia increased by 16 per cent while sales in the United States increased by 2 per cent. Sadly the principal of our US Agent, Grapekist, died in June 1999 after a short illness. Sales were affected as URM's stock of equipment located in California could not be invoiced and had to be treated as inter-company consignment inventory and did not appear in this year's sales.

Our agent's failing health also disrupted sales activity for the current season. The Board is assessing the most favourable sales/distribution arrangement for URM in the USA for the future.

URM's multi function grape harvester and new picking head performed impressively at Field Days in Australia and California and both have been enthusiastically welcomed by the market. URM's equipment now has capabilities and features which compare favourably with its competitors and URM's 'Vinestar' harvesters increased their market leadership during the year.

URM's new manufacturing facilities at Mildura enabled output to be doubled in the second half compared to last year. However most of this production was for the US market where it was held in stock at year's end. This stock will be sold between July and

MAIN PRODUCTS

Design, manufacture and marketing of mechanical grape harvesters, specialised vineyard equipment and distributors for selected vineyard equipment. Markets include Australia, New Zealand, California and Washington (USA) and Spain.



September as the new vintage gets underway. During 1998/1999 important advances were made particularly in manufacturing and product development, and Directors expect the benefits of these advances to accrue in the year ahead.

Management is now able to contemplate enlarging our product range and expanding geographically into New Zealand and South Africa.

Directors are confident that URM will achieve further solid growth in the coming year and prospects beyond that remain very encouraging.

Des Burke

Harvest season 1998: Grape harvester shown at top collecting the crop for another record vintage. URM 'Vinestar' shown at bottom.

(58.74% owned by Lemarne at 30 June 1999)

The year ended 30 June 1999 was an excellent one for the Company considering that many of its markets in Asia were severely depressed.

Sales increased by 22 per cent to \$107 million with sales to Europe up 50 per cent to \$42 million, sales in Australasia up 13 per cent to \$51.7 million, while sales in Asia were down 32 per cent to \$9.5 million.

Operating profit before tax was up 47 per cent to \$6.3 million while income tax increased from \$1.4 million to \$2.3 million. Operating profit after tax and outside equity interests was up 44 per cent to \$4.1 million.

All subsidiaries met or increased sales and profits over the previous year.

The return on equity was 18.5 per cent which was comfortably higher than the cost of capital and demonstrates the added value being generated for shareholders even though this may not have been reflected in share price movements.

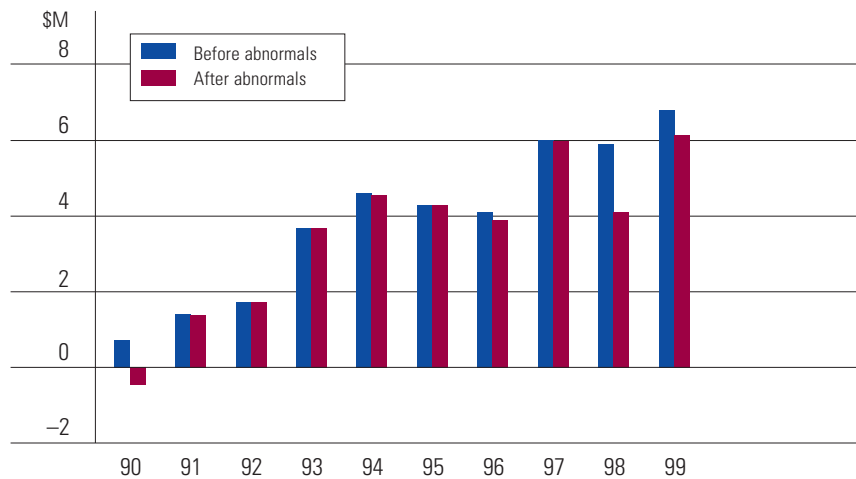
Earnings per share were up from 29 cents to 41 cents and the net tangible assets per share increased from \$2.10 to \$2.25.

In April 1999 the \$6.6 million of preference shares were redeemed and at year's end the net borrowings were \$17.8 million.

The balance sheet remains strong with shareholders' funds increasing by 6 per cent to \$22.5 million and the gearing level increased to 79 per cent.

TEN YEAR OPERATING PROFIT

BEFORE AND AFTER ABNORMALS



DIVIDENDS

An interim fully franked dividend of 12 cents per share was paid on 26 March 1999. Directors have declared a final fully franked dividend of 15 cents per share payable on 29 October 1999 to those shareholders registered at the close of books at 5 pm on 22 October 1999.

INVESTOR RETURNS

Lemvest's share price finished the year at \$4.31 compared to \$4.00 per share at the start. The compound annual return to shareholders over the last ten years is 31.5 per cent per annum compared to the 'all ordinaries' index of 11.4 per cent per annum and the consumer price index of 2.6 per cent per annum.

OPERATIONS

In general our Australian operations performed strongly but those in Asia struggled as the

economies in that part of the world remained depressed.

Richardson Pacific's sales were steady at \$29.5 million which was a very creditable result given that Asian sales were down by 37 per cent compared to last year. The operating profit before tax was steady at \$3.7 million with strong performances from the Australian perforating operations, Screenex and New Zealand offset by lower profits in Asia and Metal Systems.

Com 10's sales increased by 10.6 per cent to \$36.1 million with steady exports and a solid increase in domestic sales. Particularly creditable was the near doubling in exports to the Middle East, South Africa and Europe. The operating profit before tax and abnormals was up 26 per cent mainly due to a strong domestic

PERFORMANCE IN BRIEF

		1999	1998	CHANGE
Sales revenue	\$000s	107,602	88,354	+22%
Operating profit before abnormal items	\$000s	6,971	6,039	+25%
Abnormal items	\$000s	(643)	(1,750)	–
Income tax	\$000s	2,335	1,417	+65%
Operating profit after income tax and outside equity interests	\$000s	4,117	2,860	+44%
Earnings per share	cents	41	29	+41%
Net tangible asset backing per share	cents	225	210	+7%
Dividend per share	cents	27	24	+13%
Share price at 30 June	cents	431	400	+8%
Shareholders' equity (ordinary)	\$000s	22,292	20,973	+13%
Net borrowings/shareholders' funds	%	79	69	

performance by both the power and communications divisions. An abnormal cost of \$0.64 million was incurred closing the Revesby metalwork facility which reduced the profit before tax to \$2.27 million.

Lemtronics' sales increased by 75 per cent to \$42 million almost entirely due to increased exports to Europe. The increase reflected the sales and marketing push over the past two years and the more buoyant market being enjoyed by contract manufacturers internationally.

There have been substantial operational improvements made during the year but margins remain too low. The operating profit before tax of \$0.85 million compares to a loss of \$1.2 million last year.

Boardfinish Limited, which was the vehicle used to purchase and then re-sell A1 Security and Electrical Limited (in Receivership), did not trade during the year. It benefited from royalty income from the UK distributors of our security products, but this was offset by legal and management expenses.

OUTLOOK

The outlook for 1999/2000 looks good. We are budgeting for slightly lower sales of perforated metal in Australia to reflect the completion of many Olympic Games related projects, but we expect this to be more than offset by a recovery of sales in Asia. Com 10 is forecasting continued growth in both domestic and export markets, while forward estimates from Lemtronics' customers continue to grow.

PEOPLE

The number of employees dropped from 1,500 to 1,150 during the year. All of the reduction occurred at Lemtronics and was due to revised shift arrangements, plant layout changes, new equipment and improved productivity.

On behalf of shareholders and directors, we wish to thank all our employees for their continuing efforts and commitment during another challenging year.

Brian Noxon
Chairman

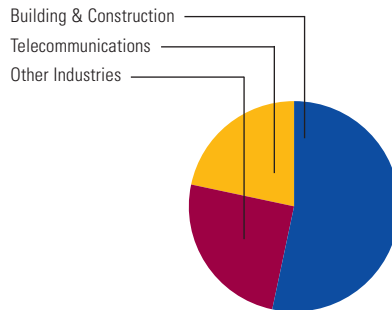
Malcolm Inglis
Managing Director

TEN YEAR EARNINGS & DIVIDEND

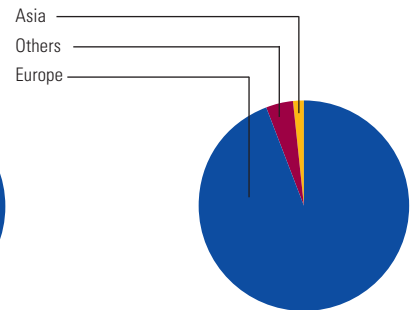
PER ORDINARY SHARE



SALES BY INDUSTRY



SALES BY END MARKETS



PERFORMANCE SUMMARY

		1999	1998	1997	1996	1995
Total sales	\$000s	41,987	23,978	27,296	25,156	26,600
Overseas sales & exports	%	100	100	100	100	100
Profit before abnormals interest & tax	\$000s	1,342	865	712	1,792	4,037
Total assets	\$000s	17,936	21,728	18,242	24,351	19,314
Employees		798	1,158	532	627	639



LEMTRONICS SDN BHD

Alain Badoux M Eng, MIE Aust, A Ir Br
Managing Director

F C Goh FAIA
Commercial Manager

T K Yin
Manufacturing Manager

Roland Victor B Sc
Development Manager

R Jayaratnam B Sc
Quality Assurance Manager

The very substantial increase in sales to \$42 million reflects renewed confidence from Lemtronics' customers that the company can provide a high level of service in terms of technical know how, rapid response and quality. While the recession in Asia has helped in containing expenses (but not the cost of materials as these are mainly purchased in international currencies), it has created over capacity in the industry and put margins under a lot of pressure.

On the other hand, the fixed exchange rate between the US Dollar and the Ringgit introduced in September 1998 by the Malaysian Government, has reduced exchange risks. Other rules limiting capital movements do not affect Lemtronics capability of repatriating dividends.

In spite of the dramatic increase in sales, better control over inventory achieved a 60 per cent reduction in stock value,

which combined with reduced throughput time resulted in virtually no increase in working capital.

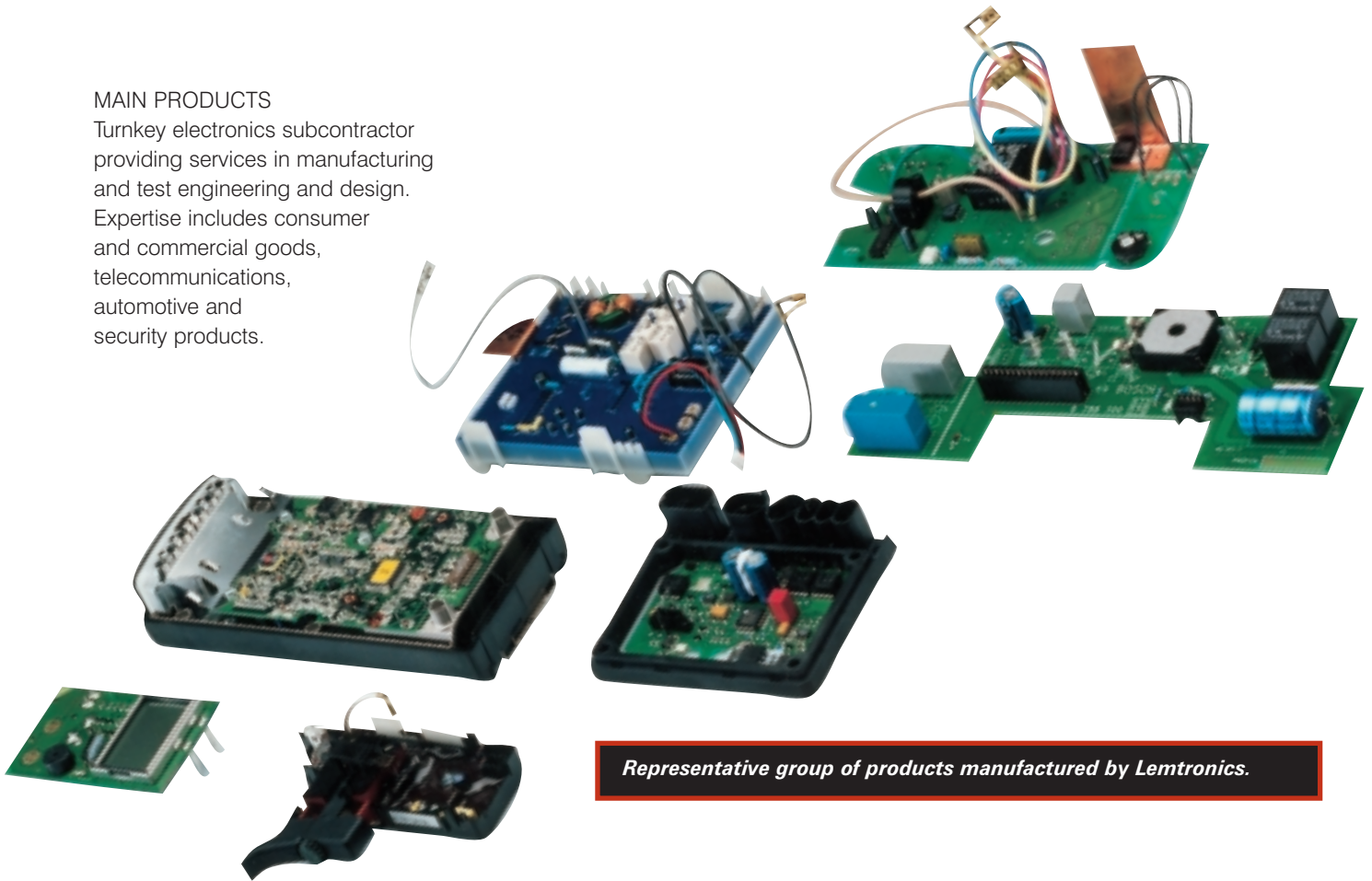
The peak employment figure reached in June 1998 was reduced by 30 per cent by returning to a mainly one shift operation, while the number of levels in the organisation was reduced from eight to five.

There were also significant improvements in materials procurement and logistics including the more effective use of MRP, a revised plant layout and improved product quality leading to reduced scrap and rework.

During the year new equipment for automatic soldering was installed, some existing equipment upgraded and plans formulated for further equipment investment in the coming year. The continuous change to more complex products that is characteristic of the electronics

MAIN PRODUCTS

Turnkey electronics subcontractor providing services in manufacturing and test engineering and design. Expertise includes consumer and commercial goods, telecommunications, automotive and security products.



industry is well recognised by Lemtronics. This was exemplified during the year by the construction of a 'clean' room for the assembly of precision measuring equipment.

A parallel improvement of engineering and logistics skills, together with upgrades to equipment is high on Lemtronics' future planning priorities.

During the year a considerable investment was made in computer hardware and software to ensure Y2K compliance. The MPR system is now running satisfactorily. There is no doubt Lemtronics needs to improve its margins. It has already reduced expenses, as a percentage of sales, in most areas of activity.

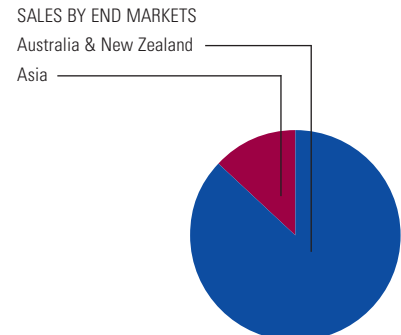
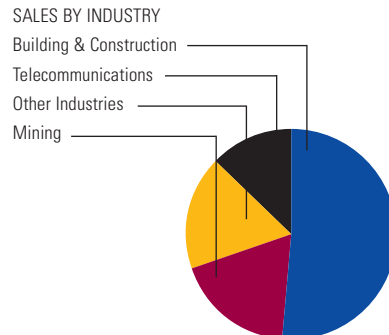
At the same time, the average product mix has moved to assemblies with a higher material content and hence lower value added and lower gross margin. An improvement of this situation is our biggest challenge for next year.

Most customers of the company are in Europe with only small sales made to the USA and Australia.

In marketing terms, our main priority remains the servicing of existing customers. At present, the final use of the assemblies produced by Lemtronics is still focussed on power tool controllers, measuring instruments, fixed domestic applications and to a lesser extent the automotive industry. The rapid increase in the use of electronics in the automotive and other industries presents Lemtronics with good opportunities which are being pursued.

The outlook for next year is good. It will essentially be a year of consolidation, with a small increase in sales and a focus on increasing profitability without putting any business sector at risk.

Alain Badoux



PERFORMANCE SUMMARY

		1999	1998	1997	1996	1995
Total sales	\$000s	29,457	29,501	28,214	28,015	25,597
Overseas sales & exports	%	13	19	18	27	26
Profit before abnormals interest & tax	\$000s	3,687	3,750	3,469	2,580	1,854
Total assets	\$000s	27,424	27,748	27,248	24,531	24,131
Employees		183	175	176	172	185



RICHARDSON PACIFIC

Darryl Rainsbury B Bus, MBA, FCPA, FCIS
Managing Director

Michael Yalden
Director & Consultant Metal Systems

Martin Budworth
General Manager Asia & Associate Director

Grant Pearce MBA
General Manager Metal Perforators

Richard Cichy
Manufacturing Manager Metal Perforators

Rex Jellicoe
General Manager New Zealand

In 1998/99 Richardson Pacific recorded virtually steady sales and profits at \$29.5 million and \$3.7 million respectively. The severe economic downturn in Asia and the relative strength of the Australian economy provided market conditions, which were in many instances, the reverse of those which existed in the prior year.

In Australia, our perforated metal operations had a good year, with profits up 27 per cent over the previous year. There were a number of infrastructure and Olympic related projects undertaken, which underpinned this performance. However, there has been a softening in the market over the last quarter with a noticeable decline in immediately available project work.

Commissioning of the new perforating line was recently completed without causing any disruption to the business during installation. Our major capital expenditure programme, which

was internally funded, is largely complete, and the business is now well equipped to service the needs of the Australian market as well as targeted export markets.

In Asia, Richardson Pacific (Asia) Ltd. and its 70 per cent owned Indonesian based joint venture, PT Lunto Richpac, experienced an extremely difficult year. Sales declined 33 per cent which resulted in a small operating loss being incurred in 1998/1999. The economic downturn experienced throughout Asia worsened during the year. Many countries increased import duties in an attempt to protect their domestic industries while Indonesia's economy was very constrained in the lead up to their recent democratic election.

Machine problems at both of our plants resulted in significant repair costs, which also impacted unfavourably on the bottom line. Our machinery is now fully operational and as the Asian economies revive, we are well

MAIN PRODUCTS

Perforated metal, 'Safe T Perf' flooring,
'Pic Perf' architectural panels,
Polyurethane screening systems,
Data communication cabinets

placed to recover from the decline in profitability experienced over the last twelve months.

Our Richpac Screening (Screenex) division continued to expand its market position with sales increasing by 25 per cent during the year. To ensure the service offered to customers is not compromised, additional machinery was commissioned and a new factory established in Perth, during the latter part of the year. As well as providing additional manufacturing capacity, the location of this operation provides for improved service to the Western Australian mining industry. Importantly, initial steps have also been taken towards increasing the export component of this division's sales with a Representative Office currently being established in Indonesia.

The Metal Systems division increased sales by 20 per cent in 1998/1999. However a small operating loss occurred due to a period of rapid growth in non-standard product which consumed considerable manufacturing and administrative resources. The benefit is that the division now has a long term arrangement to supply cabinets and other metal products to Com 10 Pty Ltd a related company, which will represent a solid base load in future. Greater emphasis will now be given to the general market with concentration on our standard product range.



Perforated metal balustrading at Homebush Olympic Stadium, together with 'Pic Perf' image of a soccer player at Hindmarsh Stadium, Adelaide.

Richardson Pacific (NZ) Ltd's sales declined by 4 per cent in 1998/1999, while the operating profit improved through slightly better margins and diligent cost control. This has been helped by the improved efficiency of new machinery purchased in the prior financial year.

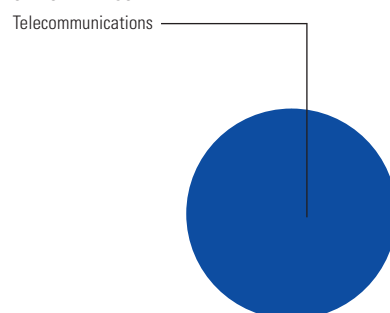
The economic climate in New Zealand has shown signs of improvement over the last quarter. This together with the introduction of a wider local product range should result in continued profit improvement for this business.

During the year a considerable investment was made in computer hardware and software, including a new mainframe computer, to improve functionality and ensure Y2K compliance.

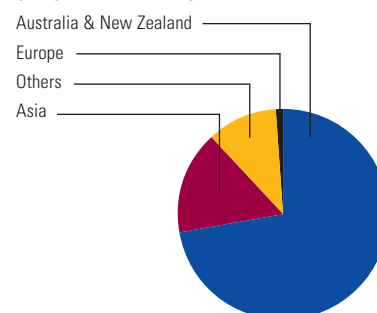
Overall Richardson Pacific is very well placed to capitalise on the recent investment in new machinery and processes, and the refurbishment of older equipment. This investment has been made in all business units, which will enable us to better service the needs of our customers in future. While economic recovery in Asia is expected to be slow, we remain well placed to benefit from any upturn and expand both our market share and profitability.

Darryl Rainsbury

SALES BY INDUSTRY



SALES BY END MARKETS



PERFORMANCE SUMMARY

		1999	1998	1997	1996*	1995
Total sales	\$000s	36,141	32,680	32,896	4,811	n/a
Overseas sales & exports	%	28	32	39	34	n/a
Profit before abnormals interest & tax	\$000s	3,385	2,939	3,052	510	n/a
Total assets	\$000s	20,215	18,121	19,586	13,661	n/a
Employees		176	168	176	163	n/a

* 10 weeks of operation, business acquired in April 1996.



COM 10

Robert Kirkham B Sc, Dip Civ Eng
Managing Director

Dilip Khatri BE Hons, M Eng Sc, SMIEEE, MIEEE (USA), MIE Aust
Director & Commercial Manager

Larry Weiner BSEE
Director & General Manager Power Group

Peter Chalmers B Ec, ASA
Financial Controller

Bob Teasel B Tech
Production Manager

CHINA OFFICE

Liu Xiuzhong BE
Chief Representative & General Manager

Sales increased by 10 per cent to \$36.1 million while profit before abnormals and tax was up 76 per cent to \$2.9 million. The abnormal cost of closing the Revesby metalwork operation will in time be offset with variable cost savings. However the total cost of \$0.6 million was more than expected because of difficulties in sub-letting the premises. This resulted in the inclusion of a \$0.2 million provision against future rent in line with current accounting practice.

POWER SYSTEMS GROUP

In Australia the introduction of new telecommunications carriers has led to the expansion of domestic telecommunication networks and therefore opportunities for Com 10. In addition to our traditional close association with Telstra, Com 10 was successful in installing its equipment into many of the new carrier networks.

In Asia, as a result of the economic downturn, our

marketing efforts were refocussed onto a few selected markets. This led to the establishment of a subsidiary company in Malaysia as a central hub for our sales efforts in surrounding countries. The Malaysian subsidiary, in which Com 10 has a 70 per cent interest and local interest 30 per cent, has now been trading for some months and local staff appointed. We have been successful in securing a project with Telecom Malaysia which began in early 1999 and is presently still in progress. Other smaller projects have also been secured. The outlook for the Malaysian operation should be good as the local economy improves and the roll out of telecommunication networks continues.

China was again an important export market although sales declined by one-third. Difficulties securing foreign exchange funds and a general tightening of the economy contributed to this decline. We continue to support



Large Telecom power system on display at Singapore Trade Exhibition, together with small power system suitable for a mobile telephone base station.

MAIN PRODUCTS

Power systems and distribution modules, telephone accessories, pair gain and modems

and supply products to existing customers, while there was an increase in new enquiries from inland provinces. The extension of telecommunications networks into country areas provides additional opportunities for our equipment, especially for radio based mobile networks. We believe our new DC Power products are ideally suited to these networks. Our future plan for China includes an expansion in our local presence and the undertaking of more local content in our products.

Sales into the Middle East increased this year as we continue to build these markets by working closely with our local partners.

During the year we opened up new markets in South Africa. We expect this market to grow in the year ahead. We were also active in developing the market in South America although sales to date have been below expectation due to the economic difficulties facing Brazil. The company believes the South American market is a good fit and has potential in the future.

The company continues to fund Research and Development projects. A major new DC Power product was introduced in the last quarter of this year which immediately resulted in a strong order book going forward. Further DC Power products are under development to be released late next year.

COMMUNICATIONS GROUP

Sales of communications equipment were down on the previous year mainly because of a reduction in the sale of telephone accessories to Telstra, following their progressive changeover to international style connectors.

The future of this group lies with more technically advanced equipment associated with the transmission of data and the interconnect with the Internet, rather than simple telephone accessories as in the past.

Our first new 'smart' communication product called NTI* Star is presently undergoing field trials with a major telecommunications company in Australia. If successful it should also have good export sales potential. This product is targeted for office and home use and avoids the carrier having to lay new cable when extra lines are needed. It allows for two telephones/fax machines or one phone and a high speed computer connection to operate independently over the one telephone line. Though complex in its engineering, the product is simple to install and use.

GENERAL

During the year a significant effort was dedicated to compliancy issues. The domestic authoritative body - Australia Communications Authority, decreed manufacturer self certification of all products connected to or part of the telecommunications network. This is generally known as A tick and C tick. All relevant products have been tested and approved to these standards. Com 10 has also taken the Year 2000 problem very seriously. Following investigation and testing we have now certified all our products as Y2K compliant. Company wide we believe we have addressed both our business and product issues and have in place the necessary actions and contingency plans.

New product releases in 2000 will strengthen Com 10's position as a leading DC Power system provider to Telecoms as well as a specialist provider in the communications market.

Directors and management believe the outlook for 1999/2000 and beyond is very encouraging.

Rob Kirkham

The Board of Directors is committed to principles of corporate governance consistent with the prudent management of shareholders funds. The Board supports the principles of self regulation.

The Board is responsible for the overall governance of the Company including the establishment of its goals and strategies and monitoring the achievements. Each subsidiary has its own Board and business plan and at least two main board directors sit on each subsidiary board.

Lemarne had a relatively small Board of five directors in keeping with its size. Details of directors are set out in the Directors' Report. John Larking and Peter Davenport are non executive directors. The Chairman is also the Chief Executive. The full Board deals with matters such as audit, remuneration, succession, risk management and community grants etc. and as such no Board committees exist, apart from an audit committee.

The Board reviews the performance of the external auditors on an annual basis and meets with them during the year as appropriate.

The Board recognises the need for change as the Company grows in size and complexity and is planning accordingly.

DIRECTORS' DEALINGS IN COMPANY SHARES

The Constitution permits directors to acquire shares in the Company and all directors have significant shareholdings.

Company policy prohibits directors and officers from dealing in Company shares whilst in possession of price sensitive information. Share dealings are only permitted in the one month following the release of the Company's half year and annual results to the Australian Stock Exchange or when the Board deems the market to be fully informed following an announcement.

INDEPENDENT PROFESSIONAL ADVICE

Each director has the right to seek independent professional advice at the economic entity's expense. However, prior approval of the Chairman is required, which is not unreasonably withheld.

HALF YEAR AND ANNUAL REPORTING

- The Board reviews the proforma half year and proforma preliminary final statement prior to lodgement of those documents with the Australian Stock Exchange, and any significant adjustments required as a result of the audit; and

- reviews the results and findings of the audit, the adequacy of accounting and financial controls, and monitors the implementation of any recommendations made; and
- reviews the draft financial statements and the audit report prior to the approval of the financial statements.

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described under five headings:

- Financial reporting – there is a comprehensive budgeting system with an annual budget approved by the directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The economic entity reports to shareholders half yearly. Procedures are also in place to ensure that price sensitive information is reported to the Australian Stock Exchange in accordance with Continuous Disclosure Requirements.

- Quality and integrity of personnel – the economic entity's policies are detailed in Employee Manuals. Confirmation of compliance with policies is obtained from all operating units. Formal appraisals are conducted at least annually for all employees.
- Operating unit controls – factory controls and procedures including health and safety policies in most instances are detailed in procedures manuals. Most operating units prepare Self Certification Questionnaires confirming compliance with these procedures and as appropriate, arrange external audits.
- Functional speciality reporting – the economic entity has identified a number of key areas which are subject to regular reporting to the Board such as Treasury Operations, Environmental, Legal, Tax and Insurance matters.
- Investment appraisal – the economic entity has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

INTERNAL AUDIT

The Board, in conjunction with the Audit Committee, is responsible for approving the program of internal audit visits to be conducted each financial year by the Finance Director and for the scope of the work to be performed at each location.

AUSTRALIAN AND INTERNATIONAL QUALITY STANDARDS

The economic entity strives to ensure that its products are of the highest standard. Towards this aim it has undertaken a program to achieve AS 3902/ISO 9002 accreditation for each of its business segments.

ETHICAL STANDARDS

Each subsidiary has an employee manual which sets out the ethical standards an employee of the economic entity is expected to comply with.

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the economic entity. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

RISK MANAGEMENT

A comprehensive risk management programme has been established. The programme requires each

business to systematically identify sources of risk, to qualify the impact of those risks and adopt strategies to manage the Company's exposure in a cost effective manner. External consultants are used as appropriate.

Stephen Mason has the formal responsibility for monitoring this function and preparing an audit report to the Board for each subsidiary at least annually.

This report covers matters such as environmental risks, occupational health and safety, trade practices compliance, equal opportunity, workplace practices, employment issues, treasury, insurance and operating risks.

MILLENNIUM ISSUE

The Board of Directors, in the previous financial year, authorised a Policy Statement requiring that all business critical and significant activities, processes and supporting systems throughout the whole Lemarne Group of Companies be Year 2000 compliant by June 1999 (Year 2000 compliance is as defined by the British Standards Institution). At 30 June 1999 such work was close to completion.

The Company has complied with ASX requests to keep the market fully informed of its exposure to Year 2000 problems,

and will be providing a further update on 30 September 1999.

To date the Group has spent approximately \$950,000 to achieve Y2K compliance. It would be incorrect to relate this entire amount to Year 2000 problems as we have taken the opportunity to pull forward IT expenditure by standardizing on Office 97 for personal computers and migrating to Microsoft NT on two critical IT systems.

The Directors do not believe there are any critical areas within the Group where Y2K problems would seriously disrupt our business. Nevertheless at 30 June 1999 two new systems and one upgraded system were behind schedule and not yet finalized.

The Directors expect the Year 2000 project to be completed by October 1999. However there can be no assurance that the systems of other entities, on which the economic entity relies will be converted on a timely basis or that any such failure to convert by another entity will not have an adverse effect on the economic entity's systems. In order to mitigate this risk, the economic entity has obtained confirmations from its major suppliers that they have developed,

or are developing, plans to address the Year 2000 problem.

THE ROLE OF SHAREHOLDERS

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the economic entity's state of affairs. Information is communicated to shareholders as follows:

- the annual report is distributed to all shareholders. The Board ensures that the annual report includes relevant information about the operations of the economic entity during the year, changes in the state of affairs of the economic entity and details of future developments, in addition to the other disclosures required by the Corporations Law;
- the half yearly report contains summarised financial information and a review of the operations of the economic entity during the period. Half year audited financial statements prepared in accordance with the requirements of Accounting Standards and the Corporations Law are lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange. The financial statements are sent to any shareholder who requests

them and a summary of the results and a brief review of trading for the half year is distributed to all shareholders; and

- proposed major changes in the economic entity which may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the economic entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

FINANCIAL STATEMENTS

Financial Statements for the Year ended 30 June 1999 – Lemarne Corporation Limited ACN 004 834 584 and Controlled Entities

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PROFIT AND LOSS ACCOUNTS

Profit and Loss Accounts for the Year Ended 30 June 1999 – Lemarne Corporation Limited ACN 004 834 584 and Controlled Entities

		1999	1998	1999	1998
		\$000	\$000	\$000	\$000
	<i>Note</i>	<i>Consolidated</i>	<i>Lemarne Corporation Limited</i>		
Operating Revenue	<i>2</i>	165,054	140,631	9,846	2,652
Operating profit before abnormal items	<i>3</i>	9,271	10,198	3,015	1,325
Abnormal items	<i>4</i>	1,253	(2,098)	2,934	7,400
Operating profit before income tax		10,524	8,100	5,949	8,725
Income tax attributable to operating profit	<i>5</i>	4,078	2,892	626	1
Operating profit after income tax		6,446	5,208	5,323	8,724
Outside equity interests in operating profit after income tax		1,647	1,202	–	–
Operating profit after income tax attributable to members of the parent entity		4,799	4,006	5,323	8,724
Retained profits at the beginning of the financial year		25,274	23,377	9,756	3,141
Aggregate of amounts transferred from reserves		18	–	–	–
Total available for appropriation		30,091	27,383	15,079	11,865
Dividends provided for or paid	<i>6</i>	2,311	2,109	2,311	2,109
Retained profits at the end of the financial year		27,780	25,274	12,768	9,756

The accompanying notes form part of these financial statements.

BALANCE SHEETS

Balance Sheets as at 30 June 1999 – Lemarne Corporation Limited ACN 004 834 584 and Controlled Entities

		1999 \$000	1998 \$000	1999 \$000	1998 \$000
	Note	Consolidated		Lemarne Corporation Limited	
Current Assets					
Cash		10,598	10,716	6,880	608
Receivables	8	23,377	25,594	550	1,510
Inventories	9	30,166	28,489	–	–
Other	10	928	1,329	15	39
TOTAL CURRENT ASSETS		65,069	66,128	7,445	2,157
Non-Current Assets					
Receivables	8	–	–	5,900	6,000
Investments	22	–	–	10,305	12,473
Property, plant and equipment	11	29,730	30,394	149	102
Intangibles	12	4,343	5,714	–	–
Other	13	4,176	4,853	88	87
TOTAL NON-CURRENT ASSETS		38,249	40,961	16,442	18,662
TOTAL ASSETS		103,318	107,089	23,887	20,819
Current Liabilities					
Accounts Payable	14	18,744	21,178	482	165
Borrowings	15	18,992	22,617	4,007	5,038
Provisions	16	6,007	7,226	1,917	1,112
Other	17	358	460	–	–
TOTAL CURRENT LIABILITIES		44,101	51,481	6,406	6,315
Non-Current Liabilities					
Borrowings	15	10,904	9,814	19	27
Provisions	16	5,281	5,809	152	179
Other	17	77	96	–	–
TOTAL NON-CURRENT LIABILITIES		16,262	15,719	171	206
TOTAL LIABILITIES		60,363	67,200	6,577	6,521
NET ASSETS		42,955	39,889	17,310	14,298
Shareholders' Equity					
Share capital	18	4,542	3,302	4,542	3,302
Reserves	19	620	1,901	–	1,240
Retained profits		27,780	25,274	12,768	9,756
Shareholders' equity attributable to members of the parent entity		32,942	30,477	17,310	14,298
Outside equity interests in controlled entities	20	10,013	9,412	–	–
TOTAL SHAREHOLDERS' EQUITY		42,955	39,889	17,310	14,298
Commitments and Contingent Liabilities	21				

The accompanying notes form part of these financial statements.

STATEMENTS OF CASH FLOWS

Statements of Cash Flows for the Year Ended 30 June 1999 – Lemarne Corporation Limited ACN 004 834 584 and Controlled Entities

	1999 \$000	1998 \$000	1999 \$000	1998 \$000
	<i>Note</i>	<i>Consolidated</i>	<i>Lemarne Corporation Limited</i>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts in the course of operations	158,304	134,573	1,211	1,102
Cash payments in the course of operations	(146,452)	(118,521)	(1,001)	(1,024)
Dividends received	–	–	3,098	1,398
Interest received	300	478	20	148
Interest paid	(1,865)	(1,737)	(238)	(184)
Interest paid to preference shareholders	(605)	(591)	–	(129)
Income tax paid	(5,356)	(4,109)	8	(45)
Net Cash provided by (used in) operating activities	<i>28(2)</i> 4,326	10,093	3,098	1,266
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on disposal of controlled entity/business	<i>28(4)</i> 5,296	–	4,845	–
Proceeds from sale of property, plant and equipment	<i>2</i> 515	574	18	–
Proceeds from sale of investments	–	1,000	–	1,000
Payments for controlled entities/business purchased	<i>28(3)</i> (118)	(9,326)	(4)	(6,529)
Payments for property, plant and equipment	(7,526)	(5,733)	(101)	(2)
Payments for deferred expenditure	(526)	(669)	–	–
Loans repaid by related entities	–	–	1,600	2,150
Net cash provided by (used in) investing activities	(2,359)	(14,154)	6,358	(3,381)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares to outside equity interests	13	–	–	–
Share buy back from outside equity interests	(240)	–	–	–
Proceeds from borrowings	11,769	9,852	–	6,000
Repayment of borrowings	(9,424)	(6,820)	(1,038)	(2,521)
Dividends paid-members of parent entity	<i>6</i> (2,146)	(2,146)	(2,146)	(2,146)
Dividends paid-outside equity interests	<i>20</i> (989)	(996)	–	–
Net cash provided by (used in) financing activities	(1,017)	(110)	(3,184)	1,333
Net increase (decrease) in cash held	950	(4,171)	6,272	(782)
Exchange Rate Adjustments	(160)	(20)	–	–
Cash balances in controlled entity acquired (disposed)	<i>28(4)</i> (652)	1,187	–	–
Cash at the beginning of the financial year	<i>28(1)</i> 8,403	11,407	608	1,390
Cash at the end of the financial year	<i>28(1)</i> 8,541	8,403	6,880	608

The accompanying notes form part of these financial statements.

STOCK EXCHANGE INFORMATION

Stock Exchange Information – Lemarne Corporation Limited ACN 004 834 584

1 Share Capital at 13 August, 1999

(a) (i) The ordinary share capital of the Company was held by the following number of shareholders:

<i>Shares</i>	<i>Shareholders</i>
1 – 1,000	175
1,001 – 5,000	388
5,001 – 10,000	85
10,001 – 100,000	105
100,001 and over	29
Total	782

(ii) Holding less than a marketable parcel 21

(b) Voting Rights (Article 15)

On show of hands – one vote per person (shareholder in person, or proxy or attorney or duly authorised representative).

On a poll – every member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each share they hold.

(c) Twenty Largest Shareholders

The percentage of total ordinary shares held on 13 August, 1999 by or on behalf of the twenty largest shareholders was 63.66 per cent.

(d) Substantial Shareholders

The number of shares held by the substantial shareholders as at 13 August 1999 were:

N M Rothschild & Sons (Australia) Pty Ltd ACN 008 458 339 Level 15, No 1 O'Connell Street Sydney NSW	1,812,834
National Mutual Funds Management Limited ACN 006 787 720 447 Collins Street, Melbourne Vic	1,583,873
Lindridge Pty Ltd 11 Lang Street, Beaumaris Vic	1,574,256
Davenport, Peter G 257 Edinburgh Road, Castlecrag NSW	1,164,369
Larking, John <Larking Family Fund A/c> Apartment 1704, 469 St.Kilda Road Melbourne Vic.	854,979

(e) Twenty Largest Shareholders as at 13 August, 1999.

	<i>Fully Paid</i>
Lindridge Pty Ltd	1,574,256
Davenport, Peter G	1,164,369
The National Mutual Life Association of Australasia Ltd	965,062
Perpetual Trustees Nominees Ltd	893,820
Larking, John <Larking Family Fund A/c>	854,979
Noxon, Edward B	677,000
Benefund Limited	440,000
Davenport, Prudence D G	440,000
Perpetual Trustee Company Limited <ANZ A/C>	436,774
Perpetual Trustees Victoria Limited <Small A/C>	420,700
National Nominees Limited	418,517
Chase Manhattan Nominees Limited	350,167
Larking, John	271,000
Capper, Graham R	262,697
Larking, John <Superannuation Fund A/c>	261,800
Invia Custodian Pty Limited <White A/C>	260,873
Victorian Superannuation Board	217,205
Diversified United Investments Ltd	201,250
Cardinal Financial Securities Limited <P/Client Growth Fund A/C>	198,795
Permanent Trustee Company Limited <NAT0017 A/C>	198,111
	10,507,375

2 Stock Exchange Listing

Quotation has been granted for all ordinary shares of the company on all member exchanges of the Australian Stock Exchange Ltd.

CORPORATE DIRECTORY

Corporate Directory – Lemarne Corporation Limited ACN 004 834 584 and Controlled Entities

LEMARNE CORPORATION LIMITED

Board of Directors

E B Noxon, BSc(Eng), FIEAust, FAIM, (Chairman)
P G Davenport, MA, MIEE
J C Larking, MB, ChB, MRCOG, FRACOG
G R Capper, BSc (Hons), BEc
S L Mason, BComm, LLB, FCPA, FCIS

Company Secretary

S L Mason, BComm, LLB, FCPA, FCIS

Senior Management

Brian Noxon, Group Chief Executive
Graham Capper, Managing Director,
Pacific Composites Pty Ltd
Desmond Burke, Managing Director,
U R Machinery Pty Ltd
Malcolm Inglis, Managing Director,
Lemvest Limited
Alain Badoux, Managing Director,
Lemtronics Sdn Bhd
Darryl Rainsbury, Managing Director,
Richardson Pacific Ltd
Larry Weiner, Managing Director,
Com 10 Pty Ltd
Dilip Khatri, Managing Director,
Com 10 Communications Pty Ltd
Stephen Mason, Group Company
Secretary & Finance Director

Auditors

Deloitte Touche Tohmatsu,
Chartered Accountants

Tax Agents

KPMG, Chartered Accountants

Bankers

Australia & New Zealand Banking Group Ltd
National Australia Bank Ltd
Malayan Banking Berhad
Algemene Bank Nederland NV

Solicitors

Deacons Graham & James

Share Register

Computershare Registry Services Pty Ltd
Level 12, 565 Bourke Street
MELBOURNE VIC 3000
Telephone (03) 9611 5711
Facsimile (03) 9611 5710

Registered Office

1st Floor
492 St Kilda Road
MELBOURNE VIC 3004
Telephone (03) 9820 2400
Facsimile (03) 9820 2038
Email: lemarn@ozemail.com.au

LEMVEST LIMITED

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492 St Kilda Road
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Telephone (03) 9820 2030
Facsimile (03) 9820 2038
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PACIFIC COMPOSITES PTY LTD

Melbourne

2 Brunson Street
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Telephone (03) 9729 7711
Facsimile (03) 9720 5229
Email: pacomp@netlink.com.au
Web site: www.pacomp.com.au

Brisbane

15 Ada Street
COOPERS PLAINS QLD 4108
Telephone (07) 3274 1099
Facsimile (07) 3274 2041

FIBREFORCE COMPOSITES LIMITED

Fairoak Lane
Whitehouse
RUNCORN, CHESHIRE WA7 3DU
UNITED KINGDOM
Telephone (44) 1928 701 515
Facsimile (44) 1928 713 572
Email: sales@fibreforce.co.uk
Web site: www.fibreforce.u-net.com

PULTREX LIMITED

Brunel Road
Clacton-on-Sea
ESSEX CO15 4LT
UNITED KINGDOM
Telephone (44) 1255 429 811
Facsimile (44) 1255 436 451

SPECTRA LIGHTING PTY LTD

15 Industrial Avenue
WACOL QLD 4076
Telephone (07) 3335 3500
Facsimile (07) 3335 3550

U R MACHINERY PTY LTD

9 Byrne Court
MILDURA VIC 3500
Telephone (03) 5023 0056
Facsimile (03) 5022 2153

LEMTRONICS SDN BHD

Phase 11
Bayan Lepas Free Industrial Zone
11900 PENANG MALAYSIA
Telephone (604) 643 6605
Facsimile (604) 643 3485

RICHARDSON PACIFIC LIMITED

330 Ballarat Road
BRAYBROOK VIC 3019
Telephone (03) 9313 2222
Facsimile (03) 9312 4180
Email: richpac@richpac.com.au
Web site: www.richpac.com.au

COM 10 PTY LTD

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Regents Park Estate
391 Park Road
REGENTS PARK NSW 2143
Telephone (02) 9722 3310
Facsimile (02) 9722 3344
Email: mcox@com10.com.au
Web site: www.com10.com.au

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LEMARNE CORPORATION LIMITED

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