

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

**AND CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

The Directors declare that:

- a. The attached Appendix 4B (Half Yearly Report) complies with Accounting Standards;
- b. The attached Appendix 4B (Half Yearly Report) gives a true and fair view of the financial position and performance of the consolidated entity;
- c. In the directors' opinion, the attached Appendix 4B (Half Yearly Report) is in accordance with the Corporations Act 2001; and
- d. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

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**D.J.RAINSBURY**  
Director

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**S.L. MASON**  
Director

MELBOURNE, 19 February, 2003

**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF  
LEMARNE CORPORATION LIMITED**

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Scope

We have reviewed the financial report of Lemarne Corporation Limited for the half-year ended 31 December 2002 in the form of Appendix 4B of the Australian Stock Exchange Listing Rules, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes set out on pages 1 to 16 and the directors' declaration, but excluding the following sections:

- a) material factors affecting the revenues and the expenses of the economic entity for the current period (page 14); and
- b) compliance statements (page 16).

The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year. The Company's directors are responsible for the financial report.

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

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data.

Our review has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Statement

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

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2002 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" issued in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

KPMG

MITCHELL CRAIG  
Partner

Melbourne, 19 February 2003

**LEMARNE CORPORATION LIMITED AND ITS CONTROLLED ENTITIES**  
**A.C.N. 004 834 584**

**Directors' Report**

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The Directors have pleasure in presenting the Appendix 4B (Half Yearly Report) of Lemarne Corporation Limited and its controlled entities for the half year ended 31 December 2002. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

**1. Directors**

The Directors of Lemarne Corporation Limited during or since the end of the half year are:

Edward Brian Noxon, B.Sc.(Eng.), F.I.E.Aust., F.A.I.M.  
Managing Director from 1979 to 1999 and from August 2001 to March 2002.  
Chairman from 1987 to March 2002. Non-executive Chairman since March 2002.  
Director of National Can Industries Limited since 2000.  
Chairman of Lemvest Limited from 1987 to March 2002 and non-executive Chairman of Lemvest Limited since March 2002.  
Age 64.

Peter Geoffrey Davenport, M.A., M.I.E.E.  
Director since 1981  
Director of Lenvest Limited  
Previously electrical/electronics engineer and management consultant  
Age 65.

John Campbell Larking, M.B. Ch.B., M.R.C.O.G., F.R.A.C.O.G.  
Director since 1986  
Director of Lemvest Limited  
Age 63.

Stephen Leslie Mason, B.Comm, LLB, F.C.P.A., F.C.I.S.,  
Director since 1997  
Finance Director and Group Company Secretary  
Age 51.

Darryl Jeffrey Rainsbury, B.Bus, M.B.A., F.C.P.A., F.C.I.S.  
Appointed Managing Director 15 February 2002.  
Director of Lemvest Limited  
Previously Managing Director of Richardson Pacific Limited and Screenex Australia Pty. Ltd..  
Age 45.

**2. Review of Operations**

**Pacific Composites**

Pacific Composites has achieved a sound first half result, exceeding last year's operating profit before tax by 8%.

The Australian operations have performed above expectations largely as a result of securing a significant export order coupled with a strong domestic demand. The appointment of a full time sales representative, based in Singapore, has also made a strong contribution to the increased sales over those of last year. Overall, the Australian operations have recorded a 19% improvement in operating profit before tax compared to the previous corresponding period.

In the U.K., Fibreforce has increased sales by 12% compared to last year, with operating profit before tax increasing by 5%. This reflects tighter margins caused by raw material price pressures and low margins on a high profile bridge project which will be completed in March. Pultrex has had a difficult first half, but has a strong order book for the second half, which will return it to profit for the year.

## 2. **Review of Operations (continued)**

Overall the Group's net profit forecast for the year is strong as we expect an improved level of activity in all the U.K. operations and hence much improved results in the second half. This may be partly offset by the results of the Australian operations which could be adversely effected by the lack of major project work available in the second half.

### **LEMVEST**

#### **Lemtronics**

The EMS industry continued to be adversely affected by world economic conditions. Lemtronics performed marginally better than was expected due to careful cost management and favourable exchange movements, while increased provisioning for inventory write-downs was carried out to recognise slow moving stock lines. Revenues were generally in line with expectations with profits being slightly ahead of budget. Our major European customers in the power tool segment continue to be under pressure from low cost Asian equipment suppliers whilst other customers in the home automation business have seen some steady growth.

The outlook for the second half continues to look relatively flat, with customers taking further action to cut their inventories. However, Lemtronics has been successful recently, in attracting some new customers, the full effects of which will be seen in the next financial year.

#### **Richardson Pacific**

Richardson Pacific has enjoyed a strong first half with profit before tax ahead of last year.

Richardson Pacific's metal perforating operations in both Australia and New Zealand, together with the polyurethane screening business all recorded operating profits above last year's levels.

The trading position of the metal perforating operation in Hong Kong was below expectations due to depressed market conditions, while the delays experienced with the newly established Shanghai operation has deferred achievement of the level of market penetration in China that had been anticipated. However results are expected to improve in the second half.

The Metal Systems division, which supplies data communication cabinets primarily to the telecommunications industry, has continued to experience difficult trading conditions due to the ongoing downturn in its major market. As a result of operating losses incurred by this business avenues for its divestment are being explored.

Overall, Richardson Pacific has commenced the year well and market conditions are expected to be similar in the second half.

#### **C10 Communications ("C10")**

Although the telecommunications market has not generally recovered from its global downturn, C10 has experienced steady sales for the first half of 2003 in line with budget forecasts.

The product mix accounting for these sales however was skewed in favour of two of our new product areas (ISDN and ADSL Filter products) resulting in an improved EBIT over budget. This compensated for declining sales in the older accessories product lines and fierce competition for market share in ADSL modems.

C10 has achieved significant market share for its key products and second half results will closely reflect overall Telco movement during this period. It is expected that C10 will perform well against budget for the overall financial year.

During the second half of this current financial year, C10 will be focussing on maintaining current market share and the development and introduction of new intellectual property to broaden the operating base for C10 in 2004.

## 2. Review of Operations (continued)

### HGL Takeover Bid

On 7 February 2003, HGL Limited issued a Supplementary Bidder's Statement but failed to increase the offer price from \$1.70 per share.

Your Directors maintain their unanimous recommendation you reject this inadequate and opportunistic offer because:

- Lemarne's shares are trading on the ASX at a price in excess of the HGL Offer Price.
- The HGL Offer Price is set at a substantial discount to the net tangible asset ("NTA") backing per share. The NTA at 31 December 2002 was \$1.94 (after providing for the dividend) and will be approximately \$2.30 if Richardson Pacific is sold.
- Lemarne provides a very attractive dividend yield. Based on an annual fully franked dividend of 15 cents per share and a market price of \$1.80 per share, the gross dividend yield (grossed up for imputation) is an impressive 11.9% per annum.
- Lemarne's long term growth and returns to shareholders have been strong over many years, and the half year results confirm the turnaround in the Group's profitability as your Directors predicted. The operating profit after tax attributable to shareholders for the continuing operations increased by 50% over last year's result to \$2.23 million.

To date, the HGL offers have been convincingly rejected by shareholders with HGL, as at 7 February 2003, having acquired only 0.3% of Lemarne's shares since the date of its offers.

### Proposed sale of Richardson Pacific Limited ("RPL")

We previously notified shareholders on 31 January 2003 that Lemvest's Directors had advised that negotiations relating to the proposed sale of RPL were well advanced, and that Locker Group Pty. Ltd. ("Locker") had largely completed their due diligence exercise. However, a major impediment to a successful conclusion to this transaction has been the concerns of the ACCC, and that further information was being gathered in support of the submission made by Lemvest and Locker. The process of gathering additional information and addressing the concerns raised by the ACCC is nearing a conclusion, and a decision from the ACCC is expected in March 2003. The exclusivity arrangement with Locker continues until 31 March 2003.

### Dividend

Due to the strong result, Directors have declared an interim fully franked dividend of 7.5 cents per share which is payable on 28 March 2003 to those shareholders on the register at the close of business on 21 March 2003. This is a 50% increase on last year's interim dividend.

### Overall

The result for the first half was pleasing and confirmed the turnaround that Directors had forecast.

Operating profit before tax improved by \$10.8 million compared to the previous corresponding period, while the operating profit before tax of the continuing operations was 57% up on the previous corresponding period. The EPS on the continuing operations increased from 9 cents last year to 14 cents this half year.

Looking at the second half and assuming that Richardson Pacific is not sold and that no unforeseen circumstances occur, Directors estimate that Lemarne's profit after tax attributable to shareholders will be similar to the first half. However, if the current negotiations for the divestment of Richardson Pacific are successfully concluded in the second half, then the operating profit would be reduced by the extent of the Richardson Pacific contribution (which would depend on the timing of the sale) but would be boosted by a profit before tax in Lemvest of approximately \$10 million upon completion of the sale, of which \$6 million would be attributable to Lemarne shareholders.

Dated at Melbourne this 19 day of February 2003

Signed for and on behalf of the Board in accordance with a resolution of Directors

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**D.J. RAINSBURY (Director)**

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**S.L. MASON (Director)**