

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

**Consolidated Profit & Loss Account for the half year ended 31 December 1999**

	Note		<b>1999</b>
	1998	\$000	\$000
Operating Profit before abnormal items	3	6,112	4,664
Abnormal items	4	-	(1,315)
		-----	
Operating Profit before income tax		6,112	3,349
Income tax attributable to operating profit		2,361	1,503
		-----	
Operating profit after income tax		3,751	1,846
Outside equity interests in operating profit after income tax		<u>984</u>	<u>865</u>
Operating profit and extraordinary items after income tax attributable to members of the parent entity		2,767	981
Retained profits at the beginning of the half year		27,780	25,274
		-----	
Total available for appropriation		30,547	26,255
Dividends provided for or paid	5	1,243	1,073
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Retained profits at the end of the half year		<u>29,304</u>	<u>25,182</u>

The accompanying notes form part of these financial statements.

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

**Consolidated Balance Sheet as at 31 December 1999**

	<b>1999</b>	1999	1998
	<b><u>DEC</u></b>	<u>JUNE</u>	<u>DEC</u>
	\$000	\$000	\$000
<b>CURRENT ASSETS</b>			
Cash	4,867	10,598	5,744
Receivables	27,921	23,377	27,602
Inventories	29,805	30,166	27,174
Other	<u>1,014</u>	<u>928</u>	<u>1,537</u>
<b>TOTAL CURRENT ASSETS</b>	<b>63,607</b>	<b>65,069</b>	<b>62,057</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	29,169	29,730	31,000
Intangibles	4,180	4,343	5,472
Other	<u>4,068</u>	<u>4,176</u>	<u>5,389</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>37,417</b>	<b>38,249</b>	<b>41,861</b>
<b>TOTAL ASSETS</b>	<b><u>101,024</u></b>	<b><u>103,318</u></b>	<b><u>103,918</u></b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	18,259	18,744	18,915
Borrowings	16,033	18,992	22,187
Provisions	6,073	6,007	6,477
Other	<u>184</u>	<u>358</u>	<u>648</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>40,549</u></b>	<b><u>44,101</u></b>	<b><u>48,227</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	10,491	10,904	9,020
Provisions	4,914	5,281	5,488
Other	<u>80</u>	<u>77</u>	<u>92</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b><u>15,485</u></b>	<b><u>16,262</u></b>	<b><u>14,600</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>56,034</u></b>	<b><u>60,363</u></b>	<b><u>62,827</u></b>
<b>NET ASSETS</b>	<b><u>44,990</u></b>	<b><u>42,955</u></b>	<b><u>41,091</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	4,574	4,542	4,542
Reserves	795	620	1,088
Retained profits	29,304	27,780	25,182
Shareholders' equity attributable to members of the parent entity	<u>34,673</u>	<u>32,942</u>	<u>30,812</u>
Outside equity interests in controlled entities	10,317	10,013	10,279
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b><u>44,990</u></b>	<b><u>42,955</u></b>	<b><u>41,091</u></b>

The accompanying notes form part of these financial statements.

**LEMARNE CORPORATION LIMITED A.C.N. 004 834 584 AND CONTROLLED ENTITIES**  
**STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 1999**

	<b>Note 1999</b>	<b>Consolidated 1998</b>	<b>\$000</b>	<b>\$000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts in the course of operations			78,177	83,784
Cash payments in the course of operations			(73,965)	(77,355)
Interest Received			144	174
Interest Paid			( 796)	( 1,414)
Income tax paid			( 2,146)	( 3,495)
<b>Net Cash provided by (used in) operating activities</b>			<b><u>1,414</u></b>	<b><u>1,694</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of property, plant and equipment			81	498
Proceeds from sale of investments			525	151
Payments for controlled entities			( 65)	( 115)
Payments for property, plant and equipment			( 2,106)	( 4,075)
Payments for deferred expenditure			( 344)	( 306)
<b>Net cash provided by (used in) investing activities</b>			<b><u>(1,909)</u></b>	<b><u>(3,847)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of shares			32	13
Proceeds from borrowings			2,500	1,219
Repayment of borrowings			( 7,403)	( 2,049)
Dividends Paid - members of parent entity			( 1,240)	( 1,073)
Dividends Paid - outside equity interests			( 612)	( 498)
<b>Net cash provided by (used in) financing activities</b>			<b><u>(6,723)</u></b>	<b><u>(2,388)</u></b>
<b>Net increase (decrease) in cash held</b>			<b><u>(7,218)</u></b>	<b><u>(4,541)</u></b>
Cash at the beginning of the half year			8,541	8,403
Exchange Rate Adjustments			9	( 195)
<b>Cash at the end of the half year</b>	<b>8</b>		<b><u>1,332</u></b>	<b><u>3,667</u></b>

The accompanying notes form part of the financial statements.

**LEMARNE CORPORATION LIMITED AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED  
31 DECEMBER 1999**

**1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS**

The general purpose half-year consolidated financial statements have been prepared in accordance with the requirements of the Corporations Law and Accounting Standard 1029 "Half-Year Accounts and Consolidated Accounts". It is recommended that these half-year financial statements and reports be read in conjunction with the 30 June 1999 Annual Financial Statements and Reports and any public announcements by Lemarne Corporation Limited and its Controlled Entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Law.

The accounting policies have been consistently applied by the entities in the economic entity and except where there is a change in accounting policy, are consistent with those of the previous financial year and corresponding half-year.

The carrying amount of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at the end of the half-year. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

**2. CHANGE IN ACCOUNTING POLICY**

There were no changes in accounting policies during the half year.

**3. OPERATING PROFIT**

	1999 \$000	Consolidated 1998 \$000
Included in operating profit before abnormal items and income tax are the following items of revenue and expense:		
<b>Revenue</b>		
Sales revenue	81,006	83,144
Other revenue		
Interest received or due and receivable from:		
Other persons	141	173
Proceeds on sale of plant and equipment and investments	56	498
Other	364	547
	<u>81,567</u>	<u>84,362</u>

**LEMARNE CORPORATION LIMITED AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED  
31 DECEMBER 1999**

		<b>Consolidated</b>	
		<b>1999</b>	1998
		<b>\$000</b>	\$000
<b>3.</b>	<b><u>OPERATING PROFIT</u></b>		
	<b><u>(CONTINUED)</u></b>		
	<b>Expense</b>		
	Interest expense:		
	Other persons		
	- Borrowings	766	920
	- Redeemable preference shares paid by way of dividends	-	233
	Finance charges on capitalised leases	30	39
	Amortisation of:		
	Goodwill on consolidation	138	187
	Other non-current assets	118	121
	Leased assets capitalised	83	66
	Leasehold property	163	207
	Intellectual property	63	63
	Depreciation of property, plant and equipment	2,548	2,780
<b>4.</b>	<b><u>ABNORMAL ITEMS</u></b>		
	Closure costs relating to the Techbuild division of Fibreforce Composites Ltd. (U.K.)	-	(1,315)
	Income tax effect	<u>-</u>	<u>365</u>
		<u>-</u>	<u>( 950)</u>

**LEMARNE CORPORATION LIMITED AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED  
31 DECEMBER 1999**

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**Consolidated**

	<b>1999</b>	1998
	<b>\$000</b>	\$000

**5. DIVIDENDS PROVIDED FOR OR PAID**

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

(i) a final fully franked ordinary dividend of 7.5 cents (1998 - 6.5 cents) per share was paid on 29 October 1999	3	-
(ii) an interim fully franked ordinary dividend of 7.5 cents per share (1999-6.5 cents per share) payable on 24 March 2000	1,240	1,073
	1,243	1,073
Total as per Profit and Loss Account	1,243	1,073

**6. EARNINGS PER SHARE**

Basic earnings per share (for half year)	17 cents	6 cents
Weighted average number of ordinary shares used in the calculation of basic earnings per share	16,517,879	16,506,744

Diluted earnings per share has not been disclosed as it is not materially different from basic earnings per share.

**LEMARNE CORPORATION LIMITED AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED  
31 DECEMBER 1999**

7. SEGMENT REPORTING

<u>Industry Segments</u>	<u>Sales Revenue</u>		<u>Operating Profit</u>			<u>Assets</u>	
	<u>1999</u>	<u>1998</u>	<u>Before Income Tax</u>			<u>1999</u>	<u>1998</u>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
Lighting	-	7,942	-	488	-	-	8,934
Reinforced Plastics	15,197	13,098	1,002	(1,487)	19,117	19,314	19,314
Agricultural Equipment	7,505	4,104	1,446	974	11,518	10,923	10,923
Electronics	22,000	22,672	588	446	18,859	19,846	19,846
Perforated Metals	15,372	15,715	1,843	1,811	25,405	26,867	26,867
Telecommunication Products	20,932	19,613	1,464	1,410	24,438	16,525	16,525
-	(231)	(293)	1,687	1,509	-	-	-
	<u>81,006</u>	<u>83,144</u>	<u>6,112</u>	<u>3,349</u>	<u>101,024</u>	<u>103,918</u>	<u>103,918</u>
<u>Geographical Segments</u>							
Australasia	49,944	51,862	5,957	5,251	66,402	67,514	67,514
Asia	24,908	24,764	579	500	23,579	24,172	24,172
Europe	<u>6,154</u>	<u>6,518</u>	<u>(424)</u>	<u>(2,402)</u>	<u>11,043</u>	<u>12,232</u>	<u>12,232</u>
	<u>81,006</u>	<u>83,144</u>	<u>6,112</u>	<u>3,349</u>	<u>101,024</u>	<u>103,918</u>	<u>103,918</u>
<u>Destination of Sales by Geographical Segments</u>							
			1999		1998		
				\$000			\$000
	Australasia			37,875			43,655
	Asia			7,628			6,423
	Europe			27,373			29,546
	U.S.A.			3,078			724
	Other			<u>5,052</u>			<u>2,796</u>
				<u>81,006</u>			<u>83,144</u>

There were no intersegment transactions apart from sales of \$506,000 from Perforated Metals to Telecommunication Products.

**LEMARNE CORPORATION LIMITED AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED  
31 DECEMBER 1999**

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**8. NOTES TO THE STATEMENT OF CASH FLOWS**

(i) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at Bank and short term deposits at call, net of outstanding bank overdrafts.

Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:-

		<b>Consolidated</b>		
		<b>1999</b>		
		<b>\$000</b>		
	Cash		3,906	<del>423</del>
Short Term Deposits		961		1,321
Bank Overdraft		<u>( 3,535)</u>		<u>(2,077)</u>
		<u>1,332</u>		<u>3,667</u>

(ii) Non Cash Financing and Investment Activities

During the period the economic entity did not acquire any property, plant and equipment (1998: \$Nil) by means of finance leases.

**9. COMPARATIVE FIGURES**

The comparative figures have in some cases been restated to conform with current year accounts presentation.

**DIRECTORS' DECLARATION**

**FOR THE HALF YEAR ENDED 31 DECEMBER 1999**

The Directors declare that:

- (a) The attached financial statements and notes thereto comply with accounting standards;
- (b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the consolidated entity;
- (3) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Law; and
- (4) 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 Law.

On behalf of the Directors

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E.B. NOXON  
Director

MELBOURNE, 14 February, 2000

**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 and Controlled Entities for the half-year ended 31 December 1999 as set out on pages 1 to 9. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Half-Year Accounts and Consolidated Accounts and other mandatory professional reporting requirements 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 disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

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

Statement

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

- (a) the Corporations Law, including:
  - (i) giving a true and fair view of the disclosing entity's financial position as at 31 December 1999 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029: Half-Year Accounts and Consolidated Accounts and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

DELOITTE TOUCHE TOHMATSU

J. DOUGLAS  
Partner  
Chartered Accountants

Dated at Melbourne this 14 day of February 2000.

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

## Statutory Directors' Report

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The Directors have pleasure in presenting the Half Year Report and Financial Statements of the Company and the economic entity for the half year ended 31 December 1999, and the auditors' report thereon.

### 1. Directors

The Directors of Lemarne Corporation Limited in office at the date of this report are:

Edward Brian Noxon, B.Sc.(Eng.), F.I.E.Aust., F.A.I.M.  
Appointed Managing Director in 1979 and elected Chairman in 1987  
Chairman of Lemvest Limited  
Age 61.

Peter Geoffrey Davenport, M.A., M.I.E.E.  
Director since 1981  
Director of Lemvest Limited  
Consultant  
Age 62.

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  
Company Director. Age 60.

Graham Robert Capper, B.Sc.(Hons), B.Ec.  
Appointed Director January 1996  
Managing Director of Pacific Composites Pty. Ltd.  
Age 50.

Stephen Leslie Mason, B.Comm, LLB, FCPA, FCIS  
Appointed Director in July 1997  
Group Company Secretary  
Age 47.

### 2. Review of Operations

#### PACIFIC COMPOSITES

##### *Australian Operations*

The Australian operations achieved strong growth in the first half with sales increasing 36% to \$9.1 million and the profit before tax increased from \$0.8 million to \$1.4 million (up176%).

The Pultrusion Division's results were particularly pleasing with the operating profit increasing almost threefold on the previous year. A significant factor in this increase were strong exports although there was also solid growth in many domestic product groups.

The Prepreg Moulding Division achieved similar sales and lower profitability, compared to last year but the results were still ahead of expectations.

The small Moulding division was the only disappointing area with lower sales and a much lower contribution. This was largely due to the delay in several prospective projects. Unfortunately the availability of this work leads to very variable results and management is trying to address this problem.

##### *U.K. Operations*

The U.K. operations made an operating loss of \$195K before abnormals and one-off costs compared to the previous year's first half loss of \$890K. After abnormals and one-off costs, the loss was \$436K compared to \$2.3 million for the corresponding period last year. The one-off costs of \$211K included in this year's results relate to costs associated with restructuring the business.

Directors are encouraged by the turnaround being achieved. This is especially so at Clacton where sales increased by 18% and an operating profit equal to 11% sales was achieved against a small loss last year. At Runcorn, while the operating loss was significant, improvements have been made by the new management team which should enable this division to achieve further performance improvements in the second half.

Pultrex incurred a small loss but is expecting to make a profit for the full year similar to the previous year.

### Overall

Prior to abnormals and one-off costs, Pacific Composites' operating profit before tax was \$1.2 million versus a loss of \$80K last year. Directors are confident that further solid improvements will be achieved in the second half.

### U.R. MACHINERY

Sales in the first half were \$7.5 million compared to \$4.1 million last year, an increase of 83%.

This significant increase was largely due to sales of stock held in California at 30 June 1999 and was forshadowed at the Annual General Meeting.

The market for vineyard equipment generally remains buoyant, driven by the financial success of the industry, by the increase in plantings and by the increasing scarcity and cost of labour.

The operating profit before tax increased 44% to \$1.5 million.

The new representative and distribution arrangements in the United States are now established and we expect this to boost our sales and penetration of the U.S. market from next year.

We expect a weaker second half mainly as a legacy of the death of our Californian distributor earlier this year. Directors nevertheless are confident of another strong year and believe that prospects for 2001 are excellent.

### LEMVEST

#### Lemtronics

Lemtronics' sales were virtually unchanged from last year's buoyant first half but the profit before tax was up 9% to A\$0.59 million.

The results reflect upgraded operational management with pleasing improvements in quality, service, productivity, purchasing and expense control.

Not as much progress has been made with our product mix or in negotiating better prices from some customers although management expects this to be rectified over the next 6 - 12 months.

After considerable delays, the MRP System is beginning to provide data which will enable management to further improve performance.

Given no serious shortages of components or devaluation of the Malaysian Dollar, management is confident of further solid gains in the second half.

#### Com 10

Com 10's sales were up 7% and the profit before tax up 4% to \$1.46 million compared to the same period last year. This was a little below expectations mainly because Asian markets did not recover as quickly as anticipated.

During the period good progress has been made in further developing markets in China, South Africa, Malaysia, Brazil, Vietnam, Sri Lanka and the Middle East for our increased range of products.

Product development has also accelerated with the successful development and launch of important new power and communications products.

The management team has been further strengthened and opportunities for improved operational efficiencies identified. These will be implemented in the second half.

Management is confident of a solid second half providing there are no unexpected delays on the larger projects.

### **Richardson Pacific**

Richardson Pacific's results were similar to last year with sales down 2% and operating profit before tax up 2% to \$1.84 million.

The Australasian operations performed strongly in the first 6 months with operating profit up 3.4%. The Metal Systems division and New Zealand subsidiary both commenced the year strongly, however the Screenex division was impacted by a subdued mining sector and increased costs in developing new markets.

The slower than anticipated recovery of the Asian economies has delayed the rebound in sales we are expecting from our operations in that region. There are signs that economic conditions in Asia are improving which is reflected in our current orders in hand and management expects a strong recovery in the results from our Asian operations in the second half.

Management is cautiously optimistic that Richardson Pacific will again achieve solid full year results.

### **OVERALL**

Lemarne's half year results confirm the strengthening recovery of the group from the set backs in the U.K. and Asia in 1997/98 and 1998/99.

Directors expect further solid growth in the second half providing the introduction of the GST does not delay orders in the last quarter. In addition there may be a positive outcome from the Lemvest discussions mentioned above.

### 3. Interim Dividend

The Directors declared an interim fully franked dividend of 7.5 cents per share (last year 6.5 cents) payable on 24 March 2000 to those Shareholders registered on Friday 17 March 2000.

Dated at Melbourne this 14 day of February 2000.

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

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E.B. NOXON (Director)