

Appendix 4E

Preliminary final report

Name of entity

LEMARNE CORPORATION LIMITED

ABN or equivalent company reference

72 004 834 584

Half yearly (tick)

Preliminary final (tick)

Half year/financial year ended ('current period')

30 JUNE 2005

Results for announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A'000

Revenues from ordinary activities	up/ down	20.9%	to	77,484
Profit (loss) from ordinary activities after tax attributable to members	up/ down	51.3%	to	5,256
Profit (loss) from extraordinary items after tax attributable to members	gain (loss) of			
Net profit (loss) for the period attributable to members	up/ down	51.3%	to	5,256
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend (<i>Preliminary final report only</i>) *		8.0¢		8.0¢
Interim dividend (<i>Half yearly report only</i>)				
Previous corresponding period)		7.5¢		7.5¢
<p>[†]Record date for determining entitlements to the dividend, 14 October 2005</p>				
<p>Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:</p>				
<p>* The final dividend was declared after 30 June 2005 and is therefore not provided for in the accounts for the year ended 30 June 2005.</p>				

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated	
		2005 \$000	2004 \$000
Revenue from sale of goods	2	76,738	62,590
Cost of goods sold		(54,136)	(46,176)
Gross Profit		22,602	16,414
Revenue from sale of business/controlled entity/share buy-back	2	-	4
Other revenues from ordinary activities	2	746	1,506
Selling and distribution expenses		(4,547)	(3,676)
Administration expenses		(10,684)	(8,820)
Borrowing costs	3(b)	(256)	(78)
Other expenses from ordinary activities		(716)	20
Profit/(loss) from ordinary activities before income tax expense		7,145	5,370
Income tax (expense)/benefit		(1,864)	(1,499)
Profit/(loss) from ordinary activities after income tax expense		5,281	3,871
Net profit/(loss) attributable to outside equity interests		25	396
Net profit/(loss) attributable to members of the parent entity		<u>5,256</u>	<u>3,475</u>
Net exchange difference on translation of financial statements of self-sustaining foreign operations		(1,732)	560
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		(1,732)	560
Total changes in equity other than those resulting from transactions with owners as owners		<u>3,524</u>	<u>4,035</u>
Basic earnings per share (cents)	8	36.0	21.3
Diluted earnings per share (cents)	8	35.7	21.1

Notes to the condensed consolidated statement of financial performance

	Consolidated	
	2005	2004
	\$000	\$000
2. <u>REVENUE FROM ORDINARY ACTIVITIES</u>		
Sale of goods revenue from operating activities	<u>76,738</u>	<u>62,590</u>
<u>Other revenue</u>		
<i>From operating activities</i>		
Interest:		
Other parties	381	1,256
Bad debts recovered	5	19
Government grants	2	75
Other	165	3
<i>From outside operating activities</i>		
Proceeds from sale of non-current assets:		
- plant and equipment	63	53
- intellectual property	130	30
- other	<u>-</u>	<u>70</u>
Total other revenues	<u>746</u>	<u>1,506</u>
Revenue from sale of business/controlled entity/share buy-back	<u>-</u>	<u>4</u>
Total revenue from ordinary activities	<u>77,484</u>	<u>64,100</u>
3. <u>PROFIT/(LOSS) FROM ORDINARY ACTIVITIES</u>		
(a) Individually significant items included in profit/(loss) from ordinary activities before income tax expense.		
Proceeds on sale of business/entity ¹	-	4
Provision for write down of inventories	-	(514)
1 Further proceeds from sale of the Pultrex business which was sold in 2003		

		Consolidated	
		2005	2004
		\$000	\$000
3.	<u>PROFIT/(LOSS) FROM ORDINARY ACTIVITIES (CONTINUED)</u>		
	(b) Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:		
	<u>Borrowing costs:</u>		
	Other parties		
	- Bank loans and overdraft	<u>256</u>	<u>78</u>
	<u>Depreciation of:</u>		
	Buildings	41	40
	Plant and equipment	<u>1,782</u>	<u>1,475</u>
		<u>1,823</u>	<u>1,515</u>
	<u>Amortisation of:</u>		
	Intellectual property	44	-
	Goodwill on consolidation	459	57
	Goodwill	11	11
	Leased assets capitalised	2	8
	Leasehold property	55	51
	Leasehold improvements	<u>28</u>	<u>-</u>
		<u>599</u>	<u>127</u>
	Total depreciation and amortisation	<u>2,422</u>	<u>1,642</u>
	<u>Net expense from movements in provision for:</u>		
	Employee entitlements	1,098	759
	Warranties and provisions	44	(72)
	Stock obsolescence	147	611
	<u>Net bad and doubtful debts, including movements in provision for doubtful debts</u>	(217)	201
	<u>Net (gain)/loss on disposal of non-current assets:</u>		
	Property, plant and equipment	(34)	(12)
	<u>Share buy-back costs</u>	-	210
	<u>Net foreign exchange loss/(gain)</u>	(261)	(54)
	<u>Operating lease rental expense:</u>		
	Minimum lease payments	1,076	107
	<u>Write-downs and redundancies:</u>		
	Plant and equipment (scrapped)	18	1
	Redundancies	116	107

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Note	Consolidated	
		2005 \$000	2004 \$000
Current assets			
Cash assets		7,310	25,068
Receivables		12,958	11,087
Inventories		11,496	9,875
Other assets		<u>636</u>	<u>296</u>
TOTAL CURRENT ASSETS		<u>32,400</u>	<u>46,326</u>
Non-current assets			
Receivables		-	-
Other financial assets		-	-
Property, plant and equipment		13,232	11,153
Deferred tax assets		548	480
Intangibles		13,999	347
Other assets		<u>-</u>	<u>-</u>
TOTAL NON-CURRENT ASSETS		<u>27,779</u>	<u>11,980</u>
TOTAL ASSETS		<u>60,179</u>	<u>58,306</u>
Current Liabilities			
Payables		12,344	10,567
Interest bearing liabilities		3,810	172
Current tax liabilities		1,601	664
Provisions		1,197	1,104
Other liabilities		<u>-</u>	<u>28</u>
TOTAL CURRENT LIABILITIES		<u>18,952</u>	<u>12,535</u>
Non-current liabilities			
Interest bearing liabilities		327	204
Deferred tax liabilities		495	670
Provisions		679	592
Other liabilities		<u>46</u>	<u>57</u>
TOTAL NON-CURRENT LIABILITIES		<u>1,547</u>	<u>1,523</u>
TOTAL LIABILITIES		<u>20,499</u>	<u>14,058</u>
NET ASSETS		<u>39,680</u>	<u>44,248</u>
Equity			
Contributed equity	4	6,187	11,434
Reserves		751	1,683
Retained profits	5	<u>30,517</u>	<u>31,131</u>
TOTAL PARENT ENTITY INTERESTS		37,455	44,248
Outside equity interests in controlled entities		<u>2,225</u>	<u>-</u>
TOTAL EQUITY		<u>39,680</u>	<u>44,248</u>

	Consolidated	
	2005	2004
	\$000	\$000
4. <u>CONTRIBUTED EQUITY</u>		
<u>Issued and paid up capital</u>		
14,338,727 (2004 – 17,808,333) ordinary shares fully paid	<u>6,187</u>	<u>11,434</u>
<u>Movements during the year</u>		
Balance at the beginning of year	11,434	4,574
Share buy-back 3,614,606 (2004: 3,306,369) shares	(5,458)	(3,670)
Shares issued:		
145,000 shares being exercise of options (2004: 4,578,236 shares pursuant to takeover of Lemvest Ltd)	<u>211</u>	<u>10,530</u>
	<u>6,187</u>	<u>11,434</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Lemarne Corporation Limited's share price at 30 June 2005 was \$2.39 (2004: \$2.21).

On 2 August 2004 the Company cancelled 3,614,606 ordinary shares pursuant to an off-market share buy-back approved by shareholders. The total buy-back price was \$2.52 of which the capital portion of the share buy-back was \$1.51 per share.

On 28 January 2000 the Company granted options over 75,000 unissued ordinary shares under the Key Executive Option Plan No.3 approved by shareholders to an executive of the Pacific Composites Group at an exercise price of \$3.08. These options lapsed during the year. On 15 February 2002 the Company granted 200,000 options over unissued ordinary shares to an employee of the Company at an exercise price of \$1.44 under the Key Executive Option Plan No.4, 100,000 of these options were exercised during the year. On 1 November 2002, after approval by shareholders at the AGM, 250,000 options over unissued ordinary shares were granted to two executive directors of the Company at an exercise price of \$1.49 under the Key Executive Option Plan No. 6 of which 45,000 were exercised during the year, and on 31 October 2003, again after approval by shareholders at the AGM, a further 500,000 options were granted to two executive directors of the Company at an exercise price of \$2.67 per share under the same Plan. On 9 June 2004 the Company granted options over 100,000 unissued ordinary shares under the Key Executive Option Plan No.6 to an executive of C10 Communications Pty Ltd at an exercise price of \$2.57.

Under the Key Executive Option Plans, 50 per cent of the options granted may be exercised after the second anniversary but before the fourth, while the outstanding options may be exercised after the fourth anniversary but before the fifth.

On 15 June 2004, Pacific Composites Pty Ltd granted options over 17,000 unissued shares under the Subsidiary Executive Option Plan No.5 approved by shareholders to four employees of the Pacific Composites Group. In the event that Pacific Composites is not listed on the Australian Stock Exchange, the option holders are entitled to shares in Lemarne Corporation Limited. As the conversion formula is based on the increase in value of Pacific Composites Pty Ltd and in particular its results for the three year period 2005-2007, it is not yet possible to

estimate the number of shares (if any) the option holders will be entitled to. The options may be exercised for a period of three months from 30 June 2007.

	Note	Consolidated	
		2005	2004
		\$000	\$000
5. <u>RETAINED PROFITS</u>			
Balance at beginning of year		31,131	31,820
Net profit/(loss) attributable to members of the parent entity		5,256	3,475
Dividends	6	(2,219)	(1,882)
Share buy-back		(3,651)	(2,282)
Balance at end of year		<u>30,517</u>	<u>31,131</u>

The total buy-back price was \$2.52 of which the dividend portion was \$1.01 per share.

6. DIVIDENDS PROVIDED FOR OR PAID

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

(i) an interim fully franked ordinary dividend of 8 cents per share (2004: 5 cents per share at 30%) was paid on 24 March 2005		1,147	890
(ii) a final fully franked ordinary dividend of 7.5 cents per share (2004: 7.5 cents per share) was paid on 22 October 2004 which was not provided for at 30 June 2004		<u>1,072</u>	<u>992</u>
Total dividends in accounts		<u>2,219</u>	<u>1,882</u>

After Year End

(iii) on 23 August 2005 a final fully franked dividend of 8 cents per share was declared payable on 21 October 2005		<u>1,147</u>	<u>1,072</u>
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Dividend franking account

Franking credits available to shareholders of Lemarne Corporation Ltd for subsequent financial years		<u>8,072</u>	<u>7,545</u>
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The above amount is based on the balance of the dividend franking account at year end adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the year end
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the year end
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

Statement of Cash Flows For the Financial Year Ended 30 June 2005

	Note	Consolidated	
		2005	2004
		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		81,769	67,926
Cash payments in the course of operations		(75,000)	(62,877)
Interest received		452	1,252
Borrowing costs paid		(256)	(78)
Income tax paid		(1,229)	(431)
Net cash provided by operating activities		<u>5,736</u>	<u>5,792</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of intellectual property	2	130	30
Proceeds from sale of property, plant and equipment	2	63	53
Payments for controlled entities/business purchased		(12,693)	(152)
Payments for property, plant and equipment		(2,846)	(3,114)
Payments for cost of disposal of business/controlled entity		(73)	(501)
Net cash provided by/(used in) investing activities		<u>(15,419)</u>	<u>(3,684)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		211	-
Payment for share buy-back		(9,109)	(6,176)
Proceeds from borrowings		3,410	287
Repayment of borrowings		(592)	(369)
Dividends paid - members of parent entity		(2,219)	(1,882)
Dividends paid - outside equity interests		-	(382)
Net cash provided by/(used in) financing activities		<u>(8,299)</u>	<u>(8,522)</u>
Net increase/(decrease) in cash held		<u>(17,982)</u>	<u>(6,414)</u>
Cash at the beginning of the financial year		25,068	31,468
Exchange rate adjustments		(233)	14
Cash introduced on acquisition of controlled entity		<u>355</u>	<u>-</u>
Cash at the end of the financial year	7	<u>7,208</u>	<u>25,068</u>

7. **NOTE TO THE STATEMENT OF CASH FLOWS**

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 statement of financial position as follows:-

	Consolidated	
	2005	2004
	\$000	\$000
Cash	7,310	5,568
Short term deposits	-	19,500
Bank overdraft	(102)	-
	<u>7,208</u>	<u>25,068</u>

8. **EARNINGS PER SHARE**

Basic earnings per share	36.0 cents	21.3 cents
Diluted earnings per share	35.7 cents	21.1 cents
	\$000	\$000
<u>Earnings reconciliation</u>		
Net profit/(loss)	5,281	3,871
Net profit/(loss) attributable to outside equity interests	<u>25</u>	<u>396</u>
Basic and diluted earnings	<u>5,256</u>	<u>3,475</u>
	Number of Shares	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	14,595,199	16,298,617
Effect of executive share options on issue	<u>116,946</u>	<u>150,718</u>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>14,712,145</u>	<u>16,449,335</u>

Potential ordinary shares not considered dilutive

At 30 June 2005 the Company had on issue the following options which are not considered dilutive:

Number	Exercise Price
500,000	\$2.67
100,000	\$2.57

Potential ordinary shares considered dilutive

At 30 June 2005 the Company had on issue 100,000 options at an exercise price of \$1.44 and 205,000 options at an exercise price of \$1.49 which are considered dilutive.

9. GROUP FINANCIAL PERFORMANCE

		2005	2004	Change
EBIT before significant/abnormal items	\$000s	7,401	5,958	24%
Significant/abnormal items before tax	\$000s	-	(510)	
Borrowing costs	\$000s	(256)	(78)	227%
Operating profit/(loss) before tax	\$000s	7,145	5,370	33%
Operating profit/(loss) after income tax and minority interests	\$000s	5,256	3,475	51%
Earnings per ordinary share	cents	36.0	21.3	69%
Net tangible asset backing per ordinary share	cents	179	247	(27)%
Dividend paid per ordinary share	cents	15.5	12.5	24%
Shareholders' equity (excluding outside equity interests)	\$000s	37,455	44,248	(15)%
Operating profit after income tax /members' equity	%	14.0	7.9	
Net borrowings/total shareholders' equity	%	(8)	(56)	
Share price (at 30 June)	cents	239	221	8%
Number of employees	No.	755	715	6%

These figures are based on the consolidated accounts.

10. SEGMENT REPORTING

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest or dividend earning assets and revenue, interest bearing borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

Electronics	Electronic sub-assemblies used mainly in the power tool, telecommunications, automotive and security industries.
Healthcare	Provision of facilities and services relating to the detection and treatment of skin cancers.
Reinforced plastics	Pultruded products including tension members, mine bolts, grating, cable support systems, angles, beams, rods and bars. Prepreg tapered and parallel tubing.

Telecommunication products ISDN, ADSL access products, filters, telephone accessories and voice over internet protocol (VoIP) services.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The consolidated entity's business segments operate geographically as follows:

Australasia	Manufacturing facilities in Melbourne and Brisbane and sales offices or Molescan clinics in most States.
Asia	Manufacturing facilities for telecommunication and electronic equipment products and reinforced plastics (in progress). Customers for reinforced plastic products.
Europe	Manufacturing facilities and sales offices for reinforced plastic products. Customers, sales and technical support offices for electronic equipment.
North America	Customers for electronic equipment.

10. **SEGMENT REPORTING (CONTINUED)**

<u>Primary reporting</u>	Electronics		Healthcare		Reinforced plastics		Telecommunication products		Unallocated		Eliminations		Consolidated	
<u>Business segments</u>	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
External sales revenue	28,983	25,812	5,490	-	31,627	30,053	10,638	6,725	-	-	-	-	76,738	62,590
Inter-segment revenue	524	968	-	-	-	-	-	-	-	-	(524)	(968)	-	-
Other revenue	169	50	5	-	154	140	4	40	1,827	17,108	(1,413)	(15,828)	746	1,510
Total segment revenue	29,676	26,830	5,495	-	31,781	30,193	10,642	6,765	1,827	17,108	(1,937)	(16,796)	77,484	64,100
Result														
Profit/(loss) from ordinary activities before income tax	1,298	1,418	580	-	2,983	2,302	2,426	1,314	(142)	336	-	-	7,145	5,370
Income tax (expense)/benefit													1,864	1,499
Profit/(loss) from ordinary activities after income tax													5,281	3,871
Depreciation and amortisation	602	630	744	-	859	861	123	65	94	86	-	-	2,422	1,642
Non-cash expenses other than depreciation and amortisation	41	1,107	27	-	923	334	76	91	35	8	-	-	1,102	1,540
Individually significant items														
Inventory write-downs	(139)	514	-	-	262	48	24	49	-	-	-	-	147	611

10. **SEGMENT REPORTING (CONTINUED)**

Primary reporting

	Electronics		Healthcare		Reinforced plastics		Telecommunication products		Unallocated		Consolidated	
<u>Business segments</u>	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Assets												
Segment assets	14,365	13,978	16,801	-	22,642	19,669	4,293	3,081	2,078	21,578	60,179	58,306
Liabilities												
Segment liabilities	5,088	4,378	712	-	6,319	3,170	1,682	1,860	6,698	4,650	20,499	14,058
Acquisition of non-current assets ¹	414	1,203	383	-	1,627	1,803	364	38	58	70	2,846	3,114

Secondary reporting

	Australasia		Asia		Europe		North America		Other		Unallocated		Consolidated	
<u>Geographical segments</u>	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
External segment revenue by location of customers	28,163	17,406	4,216	1,795	37,212	38,404	6,075	2,763	1,427	2,427	391	1,295	77,484	64,100
Segment assets by location of assets	31,315	10,696	14,365	13,978	12,421	12,054	-	-	-	-	2,078	21,578	60,179	58,306
Acquisitions of non-current assets	1,926	1,142	414	1,203	448	699	-	-	-	-	58	70	2,846	3,114

¹ Acquisition of non-current assets relating to acquisitions of businesses/controlled entities are reported separately.

11. REVIEW OF OPERATIONS

Overview

Actions were taken during 2004/5 to consolidate our Pacific Composites, Lemtronics and C10 Communications businesses, while two new businesses were acquired to broaden the Group's earnings base.

In 2004/5, Lemarne's group sales revenues increased 23% to \$76.7 million. This resulted in an operating profit before tax of \$7.1 million, an increase of 33% over the previous year.

Lemarne's earnings were 36 cents per share, an increase of 69% over the previous year. At 30 June 2005, the Group had a positive net cash balance of \$3.2 million, net tangible asset backing was \$1.79 per share and return on shareholders' funds for the year was a creditable 14%.

Review of Operations

The Pacific Composites' business is comprised of manufacturing operations in Australia, the United Kingdom and a new facility being established in China. Our three Melbourne plants were successfully consolidated into a new purpose built facility in August 2004, which has facilitated efficiency improvements and will serve the business' requirements for many years. In 2004/5 sales revenues for these businesses increased 5% to \$31.6 million, which generated an EBIT of \$3 million an increase of 28% over the prior year. This was a very commendable achievement in light of difficulties experienced with raw materials throughout the year, in particular the significant increase in resin prices and the continuing global shortage of carbon fibre.

Lemtronics' commenced the past year strongly as a consequence of having a good level of customer orders, a favourable Euro vs US\$ exchange rate and the successful settlement of two long standing collection issues. In the second half of the year there was a slowing order intake and a significant reversal in exchange rates. Notwithstanding this situation, Lemtronics' sales increased 10% to \$29.5 million in 2004/5, while EBIT decreased by 9% to \$1.3 million.

C10 Communications acquired the start up business ValueNet in July 2004. Since that time considerable effort and funding has been dedicated to recruiting experienced staff and consolidating its operating systems. In light of this, it is even more commendable that C10 Communications managed to increase sales 58% to \$10.6 million in 2004/5, while increasing EBIT to \$2.4 million, an 83% increase over the prior year. This achievement was largely due to increased product sales to meet the continued expansion of broadband services in Australia.

In November 2004 a new subsidiary, Lemarne Healthcare was established to acquire the business of Molescan Australia ("Molescan") and the company Australian Dermatopathology Laboratory Pty Ltd ("ADL"). Molescan provides facilities and support services for doctors working on the detection and treatment of skin cancers, while ADL provides associated dermatopathology services via its specialist skin pathology laboratory. When acquired, Molescan had 21 clinics making it the market leader in Australia. At the end of June 2005, the number of clinics had increased to 24.

Lemarne Healthcare's revenue for the 7 months since acquisition was \$5.5 million and the EBIT before amortization of goodwill was \$1million after a number of one off costs associated with the acquisition and "bedding it down".

Health and Safety

Improvement of Occupational Health and Safety ("OH&S") performance continues to be a key focus across Lemarne's operations. In 2004/5 the incidence of work-related injuries declined in each of the Group's three traditional businesses. This improvement reflects the strong focus and commitment directors, management and employees give to risk management and OH&S initiatives.

People

At 30 June 2005 the Lemarne Group employed 755 people, an increase over last year as a result of acquisitions made during the year.

Outlook

Pacific Composites enters the new financial year with a solid base order level, but without the advantage of having any large project work currently on its books. While a new manufacturing facility in China is due to be commissioned in the October 2005 quarter, it is not expected to be profitable in its first year of operation. These factors will dampen the 2005/6 results when compared with those achieved in 2004/5.

Lemtronics is poised for a slow start to the new financial year due to difficult trading conditions, timing issues and a slow down in orders from some of its customers, which is exacerbated by the summer holiday period in Europe that spans much of the first quarter. The Malaysian Ringgit was floated in July 2005 and any further strengthening of the Ringgit rate will also adversely impact the business. In 2005/6, efforts will continue to focus on broadening the business' customer base, increasing operational efficiencies and improving profit margins by introducing new products.

C10 Communications' traditional products are expected to face increased margin pressure in 2005/6. Measures are being taken to minimise the impact of these pressures on the business by securing increased volumes and reducing procurement costs. The ValueNet business is expected to capitalise on the solid ground work completed during the past year and commence trading profitably in the last quarter of 2005/6. As achieving this transition to profitability is primarily dependent on capturing adequate sales revenues, the business has recently recruited additional sales personnel to focus on this task.

As Australia has the world's highest incidence of non-melanoma skin cancers there is a growing need for the services provided by Lemarne Healthcare. The main impediment to satisfying this need is the endemic shortage of doctors in Australia. Therefore, management's efforts will focus on the recruitment and training of doctors, opening of new clinics, increasing the reach of our services and improving the business' efficiency. How successfully these goals are achieved will largely determine the rate of growth of the business in 2005/6.

The Lemarne Group commences the new financial year in a very sound financial position. Strategically, focus will be directed towards continuing to improve the efficiency of existing businesses and to expand them both organically and through selective bolt on acquisitions. Although current indications are that profitability will decline in the short term due to the establishment of the factory in China, further investment in ValueNet, and the abovementioned factors, each of our subsidiaries is thought to have sound growth prospects that will enable Lemarne to achieve solid growth in the medium term.

12. EVENTS SUBSEQUENT TO BALANCE DATE

Dividends

A final fully franked dividend of 8 cents per share in respect of the year ended 30 June 2005 was declared after 30 June 2005.

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005 the consolidated entity must comply with Australian equivalents to International Financial reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in the financial statements which form part of the 2005 Annual Report which will be released to the market shortly.

13. ANNUAL MEETING

(Preliminary final report only)

The annual meeting will be held as follows:

Place	Australian Institute of Management
Date	Friday 28 October 2005
Time	11.30 a.m.
Approximate date the ⁺ annual report will be available	19 September 2005

14. COMPLIANCE STATEMENT

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used

2 This report, and the ⁺accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does/~~does not~~* (*delete one*) give a true and fair view of the matters.

4 This report is based on ⁺accounts to which one of the following applies.

(Tick one)

- | | | | |
|-------------------------------------|---|--------------------------|---|
| <input checked="" type="checkbox"/> | The ⁺ accounts have been audited. | <input type="checkbox"/> | The ⁺ accounts have been subject to review. |
| <input type="checkbox"/> | The ⁺ accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The ⁺ accounts have <i>not</i> yet been audited or reviewed. |

5 If the audit report or review by the auditor is not attached, details of any will follow immediately they are available

6 The entity has/~~does not have~~* (*delete one*) a formally constituted audit committee.

Sign here: Date: 23/08/2005
(Director/Company Secretary)

Print name: **STEPHEN L. MASON**